Province of
Newfoundland and Labrador

Financial Statements of Crown Corporations, Boards and Authorities

(N - Z)

FOR THE YEAR ENDED
31 MARCH 2011

Newfoundland
Labrador

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INTRODUCTION

The Financial Statements of Crown Corporations, Boards and Authorities are a reproduction of the available audited financial statements of various Government organizations as approved by the applicable boards of these organizations. This report is produced alphabetically in two books; A to M and N to Z. The fiscal years noted in the table of contents are based on the fiscal year end of the organization. This report includes board-signed financial statements of crown corporations, boards and authorities for their most recent fiscal year end up to March 31, 2011. In certain instances, the financial statements for their prior fiscal year end are included due to timing of obtaining board signatures. Financial statements older than one previous fiscal year end are excluded from this report.

Information on the financial position and results of operations of the Province for the 2010-11 fiscal year may be found in the following financial reports:

Public Accounts Volume I – Consolidated Summary Financial Statements

This volume presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

Public Accounts Volume II – Consolidated Revenue Fund Financial Statements

This Volume presents the financial position of the Consolidated Revenue Fund and the results of its activities on an accrual basis.

Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund

This report presents the actual budgetary contribution (requirement) of the Consolidated Revenue Fund along with details on the actual revenues and expenditures, by program, using the modified cash basis of accounting.

The Financial Statements of Crown Corporations, Boards and Agencies are also available on the Government's website at: http://www.fin.gov.nl.ca/fin/public_accounts/index.html

Table of Contents

Name **Page**

Board of Commissioners of Public Utilities (2011) 1

Business Investment Corporation (2011) 13

C.A Pippy Park Commission (2010) 25

C.A Pippy Park Golf Course Limited (2010) 39

Central Regional Health Authority (2011) 51

Chicken Farmers of Newfoundland and Labrador (2010) 101

Churchill Falls (Labrador) Corporation Trust (2010) 113

College of the North Atlantic (2011) 119

Conseil scolaire francophone provincial de Terre-Neuve-et-Labrador (2010) 149

Consumer Protection Fund For Prepaid Funeral Services (2011) 179

Credit Union Deposit Guarantee Corporation (2010) 187

Dairy Farmers of Newfoundland and Labrador (2010) 199

Director of Support Enforcement (2011) 213

Eastern Education Foundation Inc. (2010) 221

Eastern Regional Health Authority – Cottages and Hostels (2011) 227

Eastern Regional Health Authority – Operating Fund (2011) 247

Eastern School District (2010) 277

Egg Producers of Newfoundland and Labrador (2010) 309

Ever Green Environmental Corporation (2010 & 2011) 325

Janeway Children's Hospital Foundation (2010 & 2011) 353

Labrador-Grenfell Regional Health Authority (2011) 385

Labrador School Board (2010) 427

Livestock Owners Compensation Board (2011) 457

Marble Mountain Development Corporation (2011) 463

Memorial University of Newfoundland (2011) 485

Multi-Materials Stewardship Board (2011) 505

Municipal Assessment Agency Inc. (2011) 521

Table of Contents (Continued)

Name **Page**

Nalcor Energy (2010) 531

Newfoundland and Labrador Arts Council (2010) 571

Newfoundland and Labrador Centre for Health Information (2011) 583

Newfoundland and Labrador Crop Insurance Agency (2011) 595

Newfoundland and Labrador Film Development Corporation (2010 & 2011) 603

Newfoundland and Labrador Government Sinking Fund (2010 & 2011) 627

Newfoundland and Labrador Housing Corporation (2011) 653

Newfoundland and Labrador Immigrant Investor Fund Limited (2011) 675

Newfoundland and Labrador Industrial Development Corporation (2010) 687

Newfoundland and Labrador Liquor Corporation (2011) 695

Newfoundland and Labrador Municipal Financing Corporation (2010) 711

Newfoundland and Labrador Sports Centre Inc. (2010 & 2011) 723

Newfoundland Hardwoods Limited (2011) 741

Newvest Realty Corporation (2010) 747

Nova Central School District (2010) 763

Office of the High Sheriff of Newfoundland and Labrador (2010 & 2011) 793

Private Training Corporation Train Out Fund (2010) 807

Province of Newfoundland and Labrador Pooled Pension Fund (2010) 815

Provincial Advisory Council on the Status of Women – Newfoundland and Labrador (2011) 843

Provincial Information and Library Resources Board (2011) 851

Public Accountants Licensing Board (2010) 867

Public Health Laboratory (2010 & 2011) 875

Registrar of the Supreme Court (2010) 895

Research & Development Corporation of Newfoundland and Labrador (2011) 905

Student Loan Corporation of Newfoundland and Labrador (2011) 919

The Rooms Corporation of Newfoundland and Labrador (2010) 931

Trinity-Conception-Placentia Health Foundation Inc. (2010) 943

Western Regional Health Authority (2011) 953

Western School District (2010) 1029

Workplace Health, Safety and Compensation Commission (2010) 1059

This report includes the most recent fiscal year financial statements (current or one prior year), up to March 31, 2011, that have been received prior to the publication date. All earlier fiscal year statements have been excluded from this report. The financial statements of the following agencies were not received in time for the inclusion in this report:

Burin Peninsula Health Care Foundation Inc. (2010 & 2011)
C.A. Pippy Park Commission (2011)
C.A. Pippy Park Golf Course Limited (2011)
Discovery Health Care Foundation Inc. (2011)
Dr. H. Bliss Murphy Cancer Foundation (2011)
Health Care Foundation of St. John's Inc. (2010 & 2011)
Heritage Foundation of Newfoundland and Labrador (2011)
House of Assembly (2010 & 2011)
Labrador School Board Trust Fund (2010)
Newfoundland and Labrador Arts Council (2011)
Newfoundland and Labrador Farm Products (2010 & 2011)
Newfoundland and Labrador Industrial Development Corporation (2011)
Newfoundland and Labrador Legal Aid Commission (2010 & 2011)
Newfoundland and Labrador Municipal Financing Corporation (2011)
Newfoundland Government Fund (2010 & 2011)
Newfoundland International Student Education Program Inc. (2011)
Newfoundland Ocean Enterprises Limited (2011)
Registrar of the Supreme Court (2011)
The Rooms Corporation of Newfoundland and Labrador (2011)
Trinity-Conception-Placentia Health Foundation Inc. (2011)

Nalcor Energy

Consolidated Financial Statements

Year Ended December 31, 2010

MANAGEMENT REPORT

The accompanying Consolidated Financial Statements of Nalcor Energy, and all information in the Business and Financial Report, are the responsibility of Management and have been approved by the Board of Directors.

The Consolidated Financial Statements have been prepared by Management in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to April 1, 2011. Financial information presented elsewhere in the Business and Financial Report is consistent with that in the Consolidated Financial Statements.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities. An internal audit department independently evaluates the effectiveness of these internal controls on an ongoing basis, and reports its findings to Management and to the Audit Committee of the Board of Directors.

The responsibility of the external auditor, Deloitte & Touche LLP, is to express an independent, professional opinion on whether the Consolidated Financial Statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Board of Directors, through its Audit Committee, is responsible for ensuring that Management fulfills its responsibility for financial reporting and internal controls. The Audit Committee meets regularly with Management, the internal auditors and the external auditors to satisfy itself that each group has properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The internal and external auditors have full and free access to the Audit Committee, with and without the presence of Management.

Ed Martin	Derrick Sturge
President and Chief Executive Officer	Vice President, Finance and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Lieutenant-Governor in Council
Province of Newfoundland and Labrador

We have audited the accompanying consolidated financial statements of Nalcor Energy, which comprise the consolidated balance sheet as at December 31, 2010, and the consolidated statements of income and retained earnings, comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Nalcor Energy as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
St. John's, NL
Canada
April 1, 2011

CONSOLIDATED BALANCE SHEET

As at December 31 (millions of dollars)	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	44.5	14.0
Short-term investments	15.7	49.2
Accounts receivable	93.9	88.9
Current portion of regulatory assets (Note 5)	3.8	4.8
Inventory	63.0	59.5
Prepaid expenses	4.7	3.3
Derivative assets	2.0	5.7
	227.6	225.4
Property, plant and equipment (Note 3)	1,968.7	1,901.7
Petroleum and natural gas properties (Note 4)	269.2	193.8
Regulatory assets (Note 5)	65.9	69.3
Other long-term assets (Note 6)	273.4	240.5
	2,804.8	2,630.7
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	152.1	125.2
Current portion of long-term debt (Note 8)	8.2	37.5
Current portion of regulatory liabilities (Note 5)	118.9	89.8
Deferred credits	2.6	3.1
Derivative liabilities	0.3	-
	282.1	255.6
Long-term debt (Note 8)	1,136.7	1,141.6
Regulatory liabilities (Note 5)	40.9	32.8
Asset retirement obligations (Note 9)	14.8	-
Long-term payable (Note 10)	4.6	4.3
Employee future benefits (Note 11)	60.3	54.4
	1,539.4	1,488.7
SHAREHOLDER'S EQUITY		
Share capital (Note 12)	122.5	122.5
Contributed capital (Note 12)	374.1	333.5
	496.6	456.0
Accumulated other comprehensive income (Note 13)	27.3	22.0
Retained earnings	741.5	664.0
	768.8	686.0
	1,265.4	1,142.0
	2,804.8	2,630.7

Commitments and contingencies (Note 19)

Subsequent events (Note 23)

See accompanying notes

On Behalf of the Board

Ed Martin
Director

Gerald Shortall
Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended December 31 (millions of dollars)	2010	2009
Revenue		
Energy sales	588.8	561.6
Interest and finance income (Note 16)	18.0	18.2
Other revenue	13.3	10.3
	620.1	590.1
Expenses		
Fuels	140.4	155.2
Power purchased	44.4	47.1
Operations and administration	182.6	171.3
Interest and finance charges (Note 16)	105.1	102.3
Amortization and depletion	67.5	54.9
Other gains and losses	2.6	(0.7)
	542.6	530.1
Net income	77.5	60.0
Retained earnings, beginning of year	664.0	604.0
Retained earnings, end of year	741.5	664.0

See accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31 (millions of dollars)	2010	2009
Net income	77.5	60.0
Other comprehensive income		
Change in fair value of available for sale financial instruments	20.6	9.8
Change in fair value of derivatives designated as cash flow hedges	1.1	9.2
Amounts recognized in net income	(16.4)	(13.5)
Comprehensive income	82.8	65.5

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31 (millions of dollars)	2010	2009
Cash provided by (used in)		
Operating activities		
Net income	77.5	60.0
Adjusted for items not involving a cash flow		
Amortization and depletion	67.5	54.9
Accretion of long-term debt	0.4	0.4
Loss on disposal of property, plant and equipment	0.7	1.8
Unrealized loss (gain) on derivative instruments	0.3	(0.8)
	146.4	116.3
Changes in non-cash operating working capital balances (Note 17)	64.5	96.0
	210.9	212.3
Financing activities		
Long-term debt repaid	(29.3)	(0.9)
Increase in contributed capital	40.6	142.0
(Decrease) increase in deferred credits	(0.5)	2.6
Increase in long-term payable	0.3	3.6
Decrease in promissory notes	-	(163.0)
	11.1	(15.7)
Investing activities		
Additions to property, plant and equipment	(113.6)	(96.4)
Additions to petroleum and natural gas properties	(82.7)	(81.7)
Increase in other long-term assets	(29.2)	(31.0)
Decrease (increase) in short-term investments	33.5	(24.6)
Proceeds on disposal of property, plant and equipment	0.5	1.4
	(191.5)	(232.4)
Net increase (decrease) in cash	30.5	(35.8)
Cash position, beginning of year	14.0	49.8
Cash position, end of year	44.5	14.0
Cash position is represented by		
Cash (bank indebtedness)	44.3	(3.0)
Cash equivalents	0.2	17.0
	44.5	14.0

Supplementary cash flow information (Note 17)

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Nalcor Energy (Nalcor) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (Province) as a Crown corporation and its business includes the development, generation and sale of electricity, oil and gas, wind energy, industrial fabrication and energy marketing.

Nalcor holds interests in the following subsidiaries and jointly controlled companies:

Newfoundland and Labrador Hydro (Hydro) is incorporated under a special act of the Legislature of the Province. The principal activity of Hydro is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities.

Churchill Falls (Labrador) Corporation Limited (Churchill Falls) is incorporated under the laws of Canada and owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador which has a rated capacity of 5,428 megawatts (MW).

Twin Falls Power Corporation (Twin Falls) is incorporated under the laws of Canada and has developed a 225 MW hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974.

Nalcor Energy Oil and Gas Inc. (Oil and Gas) is incorporated under the Corporations Act of Newfoundland and Labrador. Oil and Gas has a broad mandate to engage in upstream and downstream sectors of the oil and gas industry including exploration, development, production, transportation and processing.

Nalcor Energy Bull Arm Fabrication Inc. (Bull Arm Fabrication) is incorporated under the Corporations Act of Newfoundland and Labrador. Bull Arm Fabrication is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large scale fabrication and assembly. Its facilities include onshore fabrication halls and shops, a dry-dock and a deepwater site.

Nalcor also has two inactive subsidiaries, Gull Island Power Corporation (GIPCo) and Lower Churchill Development Corporation (LCDC).

Nalcor and its subsidiaries and jointly controlled companies, other than Twin Falls, are exempt from paying income taxes under Section 149 (1) (d) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Province transferred its ownership interest in Bull Arm Fabrication to Nalcor effective March 31, 2009. The transfer has been accounted for using the continuity of interests method which resulted in a restatement to include Bull Arm Fabrication's financial position, results of operations and cash flows as if Bull Arm Fabrication had been combined since its inception.

Principles of Consolidation

The Consolidated Financial Statements include the financial statements of Nalcor and its subsidiary companies: Hydro (100% owned), Oil and Gas (100% owned), Bull Arm Fabrication (100% owned), GIPCo (100% owned) and LCDC (51% owned). Intercompany transactions and balances have been eliminated upon consolidation.

Effective June 18, 1999, Hydro, Churchill Falls and Hydro-Québec entered into a shareholders' agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by representatives of Hydro and Hydro-Québec on the Board of Directors of Churchill Falls. Although Hydro retains its 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to Churchill Falls, from that of majority and minority shareholders, respectively, to that of joint venturers. Accordingly, Hydro has applied the proportionate consolidation method of accounting for its interest in Churchill Falls subsequent to the effective date of the shareholders' agreement.

Churchill Falls holds 33.33% of the equity share capital of Twin Falls and is a party with other shareholders in a participation agreement which gives Churchill Falls joint control of Twin Falls. This investment is accounted for by the proportionate consolidation method.

Substantially all of Oil and Gas' activities are conducted jointly with others and accordingly these statements reflect only Nalcor's proportionate interest in such activities.

Use of Estimates

Preparation of these Consolidated Financial Statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Key areas where management has made complex or subjective judgements include the fair value and recoverability of assets, the reported amounts of revenue and expenses, litigation, environmental and asset retirement obligations, amortization, property, plant and equipment, the valuation of oil and gas reserves and related depletion and other employee future benefits. Actual results may differ from these estimates, including changes as a result of future decisions made by the Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB), and these differences could be material.

Rates and Regulations

Hydro's revenues from its electrical sales to most customers within the Province are subject to rate regulation by the PUB. Hydro's borrowing and capital expenditure programs are also subject to review and approval by the PUB. Rates are set through periodic general rate applications utilizing a cost of service (COS) methodology. The allowed rate of return on rate base is 7.4% (2009 - 7.4%). Hydro applies various accounting policies that differ from enterprises that do not operate in a rate regulated environment. Generally these policies result in the deferral and amortization of costs or credits which will be recovered or refunded in future rates. In the absence of rate regulation these amounts would be included in the determination of net income in the year the amounts are incurred. The effects of rate regulation on the Consolidated Financial Statements are more fully disclosed in Note 5.

Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents and short-term investments consist primarily of Canadian Treasury Bills and Banker's Acceptances (BAs). Those with original maturities at date of purchase of three months or less are classified as cash equivalents whereas those with original maturities beyond three months and less than 12 months are classified as short-term investments. The short-term investments bear interest rates of 0.40% to 1.35% (2009 - 0.25% to 1.57%) per annum. Cash and cash equivalents and short-term investments are measured at fair value.

Inventory

Inventory is recorded at the lower of average cost and net realizable value.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost, which comprises materials, labour, contracted services, other costs directly related to construction and an allocation of certain overhead costs. Expenditures for additions and betterments are capitalized and normal expenditures for maintenance and repairs are charged to operations. The cost of property, plant and equipment under construction is transferred to property, plant and equipment in service when construction is completed and facilities are commissioned, at which point amortization commences.

Contributions in aid of construction are funds received from customers and governments toward the incurred cost of property, plant and equipment, or the fair value of assets contributed. Contributions are recorded as a reduction to property, plant and equipment and the net property, plant and equipment is amortized.

Gains and losses on the disposal of property, plant and equipment are recognized in income as incurred.

Nalcor, Oil and Gas and Bull Arm Fabrication

Amortization is calculated on a straight-line basis over service lives ranging from four to 30 years.

Hydro

Construction in progress includes the costs incurred in engineering and construction of new generation, transmission and distribution facilities. Interest is charged to construction in progress at rates equivalent to Hydro's weighted average cost of capital.

Amortization is calculated on hydroelectric generating plant and on transmission plant in service on the sinking fund method using interest factors ranging from 5.25% to 15.79%. Amortization on distribution system and other plant in service is calculated on the straight-line method. These methods are designed to fully amortize the cost of the facilities, after deducting contributions in aid of construction, over their estimated service lives.

Estimated service lives of the major assets are as follows:

Generation plant	
Hydroelectric	50, 75 and 100 years
Thermal	25 and 30 years
Diesel	20 years
Transmission	
Lines	40 and 50 years
Switching stations	40 years
Distribution system	30 years
Other	3 to 50 years

Hydroelectric generation plant includes the powerhouse, turbines, governors and generators, as well as water conveying and control structures, including dams, dykes, tailrace, penstock and intake structures. Thermal generation plant is comprised of the powerhouse, turbines and generators, boilers, oil storage tanks, stacks and auxiliary systems. Diesel generation plant includes the buildings, engines, generators, switchgear, fuel storage and transfer systems, dykes and liners and cooling systems.

Transmission lines include the support structures, foundations and insulators associated with lines at voltages of 230, 138 and 69 kilovolt (kV). Switching stations assets are used to step up voltages of electricity from generating to transmission and to step down voltages for distribution.

Distribution system assets include poles, transformers, insulators and conductors.

Other assets include telecontrol, computer software, buildings, vehicles, furniture, tools and equipment.

Churchill Falls

Amortization is calculated on a straight-line basis over the following estimated useful lives:

Hydroelectric generation plant	67 years
Transmission and terminals	67 years
Service facilities	67 years
Other	5 to 100 years

Capitalized Interest

Interest is charged to construction in progress until the project is complete at rates equivalent to the weighted average cost of debt or the last approved weighted average cost of capital for regulated assets. Capitalized interest cannot exceed actual interest incurred.

Impairment of Long-lived Assets

Nalcor reviews the carrying value of its oil and gas properties and development projects at the end of each accounting period. Nalcor reviews the carrying value of its other property, plant and equipment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss corresponding to the amount by which the carrying value exceeds fair value is recognized, if applicable.

Petroleum and Natural Gas Properties

Nalcor employs the full cost method of accounting for oil and gas interests whereby all costs related to the acquisition, exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, carrying charges of non-producing properties, drilling of productive and non-productive wells, the cost of petroleum and natural gas production equipment and administrative costs directly related to exploration and development activities.

Under the full cost method, capitalized costs, together with estimated future capital costs associated with proved reserves, are depleted and depreciated using the unit-of-production method based on estimated gross proved reserves at future prices and costs as determined by independent reservoir engineers.

Costs of acquiring and evaluating unproved properties and certain costs associated with major development projects are not subject to depletion until proved reserves are attributable to the property, production commences or impairment occurs. The carrying value of petroleum and natural gas properties is assessed annually or as circumstances dictate.

Impairment losses are recognized when the carrying value exceeds the sum of:

- the undiscounted future net cash flows from production of proved reserves based on forecast prices and costs;
- the costs of unproved properties, less impairment; and
- the costs of major development projects, less impairment.

The amount of impairment loss is the amount by which the carrying value exceeds the sum of:

- the fair value of proved and probable reserves; and
- the cost, less impairment, of unproved properties and major development projects.

Asset Retirement Obligations

The fair value of the future expenditures required to settle legal obligations associated with the retirement of property, plant and equipment, is recognized to the extent that they are reasonably estimable. Asset retirement obligations are recorded as a liability at fair value, with a corresponding increase to property, plant and equipment. Accretion of asset retirement obligations is included in net income through Amortization and depletion. Differences between the recorded asset retirement obligation and the actual retirement costs incurred are recorded as a gain or loss in the settlement period.

Employee Future Benefits

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions are expensed as incurred.

Nalcor provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. The expected cost of providing these other employee future benefits is accounted for on an accrual basis and has been actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. The excess of net cumulative actuarial gains and losses over 10% of the accrued benefit obligation is amortized over the expected average remaining service life of the employee group.

Revenue Recognition

Electricity Sales

Revenue is recognized on the accrual basis, as power deliveries are made, and includes an estimate of the value of electricity consumed by customers in the year, but billed subsequent to year-end. Sales within the Province are primarily at rates approved by the PUB, whereas export sales and sales to certain major industrial customers are either at rates under the terms of the applicable contracts, or at market rates.

A power contract with Hydro-Québec, dated May 12, 1969 ("the Power Contract") provides for the sale of a significant amount of the energy from Churchill Falls until 2041. The Power Contract has a 40-year term to 2016 which then renews for a further term of 25 years. The rate is predetermined in the Power Contract and decreases from the existing rate of 2.5426 mills per kilowatt hour (kWh) to 2.0 mills per kWh upon renewal in 2016.

Churchill Falls receives revenues from Hydro-Québec, under a guaranteed winter availability contract (GWAC) through 2041. The GWAC provides for the sale of 682 MW of guaranteed seasonal availability to Hydro-Québec during the months of November through March in each of the remaining years until the end of the Power Contract.

The value of differences between energy delivered and the Annual Energy Base (AEB), as defined in the Power Contract, is tracked over a four-year period and then either recovered from or refunded to Hydro-Québec over the subsequent four-year period, unless the balance is less than $1.0 million in which case it is recovered or refunded immediately. These long-term receivables or long-term payables are subject to interest at 7% per annum (2009 - 7%).

Oil Sales

Revenue from the sale of crude oil is recognized under the accrual method when the significant risks and rewards of ownership have passed and collection is reasonably assured. Transfer of risks and rewards are considered to have occurred when title to the product passes to the customer.

Revenue from properties in which the company has an interest with other producers is recognized on the basis of the Oil and Gas' net working interest using the entitlement method. Under this method, crude oil produced and sold below or above the Oil and Gas' net working interest results in an underlift or overlift position. Underlift or overlift positions are measured at market value and recorded as an asset or liability respectively.

Foreign Currency Translation

Foreign currency transactions are translated into their Canadian dollar equivalent as follows:

(a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.

(b) At the date of settlement and at each balance sheet date, monetary assets and liabilities are adjusted to reflect exchange rates in effect at that date. Any resulting gain or loss is reflected in income, except gains or losses on purchases of fuel which are included in the cost of fuel inventory.

Financial Instruments and Hedging Activities

Financial Instruments

Financial assets and financial liabilities are recognized on the balance sheet when Nalcor becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement is based on classification. Nalcor has classified each of its financial instruments into the following categories: financial assets and liabilities held for trading; loans and receivables; financial assets held to maturity; financial assets available for sale; and other financial liabilities.

Nalcor has classified its financial instruments as follows:

Cash and cash equivalents	Held for trading
Short-term investments	Available for sale
Accounts receivable	Loans and receivables
Derivative assets	Held for trading
Sinking funds - investments in same Hydro issue	Held to maturity
Sinking funds - other investments	Available for sale
Reserve fund	Available for sale
Long-term receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Derivative liabilities	Held for trading
Long-term debt	Other liabilities
Long-term payable	Other liabilities

Each of these financial instruments is measured at amortized cost, except for cash and cash equivalents, short-term investments, sinking funds – other investments, reserve fund, derivative assets and derivative liabilities which are measured at fair value.

Transaction costs related to financial assets and financial liabilities are included as part of the cost of the instrument, with the exception of cash and cash equivalents and short-term investments which are expensed as incurred through interest and finance charges, based upon the pricing obtained during the quotation process. Discounts and premiums on financial instruments are amortized to income over the life of the instrument.

Derivative Instruments and Hedging Activities

Derivative instruments are utilized by Nalcor to manage market risk. Nalcor's policy is not to utilize derivative instruments for speculative purposes. Nalcor may choose to designate derivative instruments as hedges and apply hedge accounting if there is a high degree of correlation between price movements in the derivative instruments and the hedged items. Nalcor formally documents all hedges and the risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

Nalcor has designated foreign exchange forward contracts as cash flow hedges (Notes 6(d) and 15). In a cash flow hedge relationship, the portion of gains or losses on the hedging item that is determined to be an effective hedge is recognized in Other Comprehensive Income (OCI), while the ineffective portion is recorded in net income. The amounts recognized in OCI are reclassified in net income when the hedged item affects net income.

Nalcor had no fair value hedges in place at December 31, 2010 or 2009.

Future Accounting Changes

In October 2009, the Accounting Standards Board (AcSB) issued a third and final Omnibus Exposure Draft confirming that publically accountable enterprises in Canada will be required to apply International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), in full and without modification, for interim and annual financial statements beginning on or after January 1, 2011. As a result of recent changes to Part 1 of the Canadian Insitiute of Chartered Accountants (CICA) Handbook - Accounting, by the AcSB, certain rate-regulated entities can defer the adoption of IFRS by one year to January 1, 2012. Nalcor meets the AcSB's criteria for the deferral and has chosen to adopt IFRS effective January 1, 2012.

Nalcor is continuing to assess the financial reporting impacts of the adoption of IFRS; however, the impact of IFRS will depend on the IFRS standards in effect at the time of conversion on January 1, 2012 and the accounting elections made.

The IASB has deferred its work on rate-regulated activities accounting project and has not provided interim guidance for the recognition and measurement of regulatory assets and liabilities. Accordingly, Nalcor continues to assess existing IFRS guidance to determine the impact of differences that will apply to accounting for rate-regulated activities upon adoption of IFRS on January 1, 2012.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Contributions In Aid of Construction	Accumulated Amortization	Net Book Value
(millions of dollars)		2010		
Electric – generation	1,767.6	29.5	615.9	1,122.2
Electric – transmission and distribution	849.0	67.9	280.4	500.7
Development projects	240.1	-	-	240.1
Other	309.4	24.0	179.7	105.7
	3,166.1	121.4	1,076.0	1,968.7
(millions of dollars)		2009		
Electric – generation	1,735.4	29.6	595.0	1,110.8
Electric – transmission and distribution	822.9	67.7	263.3	491.9
Development projects	194.2	-	-	194.2
Other	295.5	23.5	167.2	104.8
	3,048.0	120.8	1,025.5	1,901.7

As at December 31, 2010, the cost of assets under construction and therefore excluded from costs subject to amortization was $257.7 million (2009 - $200.9 million).

4. PETROLEUM AND NATURAL GAS PROPERTIES

(millions of dollars)	2010	2009
Petroleum and natural gas properties	279.8	193.8
Less: accumulated depletion	(10.6)	-
	269.2	193.8

Internal costs directly related to acquisition, exploration and development activities capitalized in 2010 were $0.6 million (2009 - $0.2 million).

As at December 31, 2010 $174.7 million (2009 - $193.8 million) of accumulated costs of petroleum and natural gas properties were not subject to depletion and depreciation.

Oil and Gas properties include Nalcor's acquisition costs and proportionate share of exploration and development costs. Nalcor has a 4.9% working interest in the Hebron oil field, a 5.0% working interest in the White Rose Growth Project, a 10% working interest in the Hibernia Southern Extension and an average working interest of 67% in three onshore exploration permits in Parsons Pond on the Great Northern Peninsula.

Acquisitions

On February 16, 2010, Oil and Gas signed formal agreements to acquire a 10% equity interest in the Hibernia Southern Extension Subsea tie-back project for a purchase price of $30.0 million.

5. REGULATORY ASSETS AND LIABILITIES

(millions of dollars)	2010	2009	Remaining Recovery Settlement Period (years)
Regulatory assets			
Foreign exchange losses	66.8	68.9	31.0
Deferred major extraordinary repairs	2.3	4.9	1.8
Deferred study costs	-	0.1	1.0
Deferred energy conservation costs	0.6	0.2	n/a
Total regulatory assets	69.7	74.1	
Less current portion	3.8	4.8	
	65.9	69.3	
Regulatory liabilities			
Rate stabilization plan	159.2	122.0	n/a
Deferred purchased power savings	0.6	0.6	16.5
Total regulatory liabilities	159.8	122.6	
Less current portion	118.9	89.8	
	40.9	32.8	

Nalcor's subsidiary, Hydro, has operations that are regulated by the PUB.

Regulatory assets represent future revenues associated with certain costs, incurred in current or prior periods that are expected to be recovered from customers in future periods through the rate-setting process. Regulatory liabilities represent future reductions or limitations of increases in revenues associated with amounts that are expected to be refunded to customers as a result of the rate-setting process. Amounts deferred as regulatory assets and liabilities are subject to PUB approval. The risks and uncertainties related to regulatory assets and liabilities are subject to periodic assessment. When Hydro considers that the value of these regulatory assets or liabilities are no longer likely to be recovered or repaid through future rate adjustments, the carrying amount is reflected in operations. The following is a description of each of the circumstances in which rate regulation affects the accounting for a transaction or event.

Rate Stabilization Plan

On January 1, 1986, Hydro, having received the approval of the PUB, implemented a Rate Stabilization Plan (RSP) which primarily provides for the deferral of fuel expense variances resulting from changes in fuel prices, levels of precipitation and load. Adjustments required in retail rates to cover the amortization of the balance in the plan are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

Balances accumulating in the RSP, including financing charges, are to be recovered or refunded in the following year, with the exception of hydraulic variation, which will be recovered or refunded at a rate of 25% of the outstanding balance at year-end. Additionally, a fuel rider is calculated annually based on the forecast fuel price and is added to or subtracted from the rates that would otherwise be in effect.

Hydro recognizes the RSP balances as a regulatory asset or liability based on the expectation that rates will be adjusted annually to provide for the collection from, or refund to, customers in future periods. In the absence of rate regulation, Canadian generally accepted accounting principles require that the cost of fuel be recognized as an operating expense in the period in which it was consumed. In 2010, $23.3 million was recognized (2009 - $42.3 million) in the RSP and $2.3 million (2009 - $18.3 million) was recovered through rates and included in energy sales, with a corresponding cost amortized in fuel expenses.

Deferred Foreign Exchange Losses

Hydro incurred foreign exchange losses related to the issuance of Swiss Franc and Japanese Yen denominated debt in 1975 and 1985, respectively, which were recognized when the debt was repaid in 1997. The PUB has accepted the inclusion of realized foreign exchange losses related to long-term debt in rates charged to customers in future periods. Any such loss, net of any gain, is deferred to the time of the next rate hearing for inclusion in the new rates to be set at that time. Accordingly, these losses are recognized as a regulatory asset. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include the losses in operating costs, in each year that the related debt was outstanding, to reflect the exchange rates in effect on each reporting date.

Commencing in 2002, the PUB ordered Hydro's deferred realized foreign exchange losses be amortized over a 40-year period. This amortization, of $2.1 million (2009 - $2.2 million), is included in interest and finance charges (Note 16).

Deferred Major Extraordinary Repairs

In its report dated April 13, 1992, the PUB recommended that Hydro adopt a policy of deferring and amortizing the costs of major extraordinary repairs in excess of $0.5 million, subject to PUB approval on a case-by-case basis. In 2005, Hydro started an asbestos abatement program at the Holyrood Thermal Generating Station (HTGS). This program was carried out over a three-year period. Pursuant to Order No. P.U. 2 (2005), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, the costs incurred in each year of the program were recognized as a regulatory asset to be amortized over the subsequent five-year period. In 2006, Hydro incurred $2.3 million in expenses to repair a boiler tube failure at the HTGS. Pursuant to Order No. P.U. 44 (2006), the PUB approved the deferral and amortization of these costs as a major extraordinary repair. Accordingly, these costs are being amortized over a five-year period. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro expense the cost of the asbestos abatement program and the boiler tube repairs in the year incurred. In 2010, $2.6 million (2009 - $2.7 million) of amortization was recognized in Operations and administration expense.

Deferred Study Costs

Pursuant to Order No. P.U. 14 (2004), the PUB directed Hydro to conduct an independent study of the treatment of Newfoundland Power's generation in Hydro's COS, and an independent marginal cost study, and to accumulate these costs in a deferral account to be dealt with at the next general rate application. Pursuant to Order No. P.U. 8 (2007), Hydro received approval for recovery of these costs over a three-year period commencing in 2007. Accordingly, these costs have been recognized as a regulatory asset. In the absence of rate regulation, Canadian GAAP would require that Hydro include the cost of these studies in operating costs in the year incurred. In 2010, $0.1 million (2009 - $0.1 million) was recognized in Operations and administration expense.

Deferred Energy Conservation Costs

Pursuant to Order No. P.U. 14 (2009), Hydro received approval to defer costs associated with an electrical conservation program for residential, industrial, and commercial sectors and, accordingly, these costs have been recognized as a regulatory asset. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include this program as operating costs in the year incurred. In 2010, $0.4 million (2009 - $0.2 million) was deferred.

Deferred Purchased Power Savings

In 1997, Hydro interconnected communities in the area of L'Anse au Clair to Red Bay to the Hydro-Québec electricity system. In its report dated July 12, 1996, the PUB recommended that Hydro defer and amortize the benefits of a reduced initial purchased power rate over a 30-year period. These savings in the amount of $0.6 million (2009 - $0.6 million) are recognized as a regulatory liability. In the absence of rate regulation, Canadian generally accepted accounting principles would require that Hydro include the actual cost of purchased power in operating costs in the year incurred.

Property, Plant and Equipment

The PUB permits an allowance for funds used during construction (AFUDC), based on Hydro's weighted average cost of capital, to be included in the cost of capital assets and amortized over future periods as part of the total cost of the related asset. In 2010, Hydro's AFUDC of 7.6% (2009 - 7.6%) is higher than its cost of debt of 7.2% (2009 - 7.2%) and the amount capitalized is higher and interest expense is lower by $0.1 million (2009 - $0.1 million) than that which would be permitted under Canadian generally accepted accounting principles in the absence of rate regulation.

Hydro amortizes its hydroelectric generating assets and transmission assets using the sinking fund method, as approved by the PUB. In the absence of rate regulation, these assets would likely be amortized using the straight-line method. During 2010, Hydro engaged an independent consultant to conduct an amortization study. The scope of this study included a review of Hydro's amortization methods as well as a statistical analysis of service life estimates and calculation of appropriate amortization rates and annual and accrued amortization balances as at December 31, 2009. Based on the results of this study, management currently estimates that switching from the use of sinking fund rather than straight-line amortization for hydroelectric and transmission assets, as well as changing from unit based amortization to a group based method on a remaining life basis would result in an immaterial change in the annual amortization expense.

6. OTHER LONG-TERM ASSETS

(millions of dollars)		2010	2009
Long-term receivables	(a)	25.7	24.8
Sinking funds	(b)	208.4	179.6
Reserve fund	(c)	39.3	34.8
Derivative assets	(d)	-	1.3
		273.4	240.5

(a) Included in long-term receivables are two refundable deposits in the amount of $24.1 million (2009 - $23.9 million), associated with an application for transmission service into Québec, bearing interest at one-year Guaranteed Income Certificate (GIC) rates, a $0.1 million (2009 - $0.1 million) deposit associated with an application for transmission service in New Brunswick, bearing interest at the Prime Rate, and two refundable deposits in the amount of $1.2 million (2009 - nil) associated with an application for transmission service into Nova Scotia, bearing interest at Prime Rate less 1.0%. The remaining portion of $0.3 million (2009 - $0.8 million) is the 2004-2008 AEB receivable from Hydro-Québec bearing interest at 7.0%.

(b) Sinking fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada or any province of Canada, and have maturity dates ranging from 2013 to 2033. Hydro debentures, which are intended to be held to maturity, are deducted from long-term debt while all other sinking fund investments are shown separately on the balance sheet as assets. Annual contributions to the various sinking funds are in accordance with the bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 3.86% to 9.86% (2009 - 4.50% to 9.86%).

(c) Pursuant to the terms of the 1999 shareholders' agreement Churchill Falls, in 2007, commenced the creation of a $75.0 million segregated reserve fund to contribute towards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement (Note 19(j)). A summary of Nalcor's 65.8% share of the reserve fund is as follows:

(millions of dollars)	2010	2009
Opening balance	34.8	23.4
Contribution	5.3	11.2
Net interest	(0.4)	(0.2)
Mark-to-market adjustment	(0.4)	0.4
Fair value of reserve fund	39.3	34.8

(d) During 2009, Nalcor entered into a series of 24 foreign exchange forward contracts to manage exchange rate risk on US dollar (USD) electricity sales. The nominal contract values range from $2.4 million to $6.0 million with an average exchange rate of 1.17 Canadian to USD. During 2010, 12 (2009 - eight) of these contracts were settled with the effective portion of the gain, in the amount of $5.9 million (2009 - $2.4 million), reported as energy sales and the ineffective portion as other income. The fair value of the remaining four contracts outstanding as at December 31, 2010 is $2.0 million of which the entire amount is current (2009 - $5.7 million). These contracts have been designated as part of a hedging relationship (Note 15).

7. JOINT VENTURE

The following amounts included in the Consolidated Financial Statements represent Nalcor's proportionate share of Churchill Falls' assets and liabilities at December 31 and its proportionate interest in Churchill Falls' operations for the year then ended.

(millions of dollars)	2010	2009
Current assets	39.2	45.7
Long-term assets	375.8	374.5
Current liabilities	15.6	38.8
Long-term liabilities	14.0	12.7
Revenues	74.1	58.8
Expenses	50.8	48.4
Net income	23.3	10.4
Cash provided by (used in)		
Operating activities	48.3	15.3
Financing activities	(27.9)	3.5
Investing activities	(0.4)	(17.4)

Income tax expense in the amount of $0.2 million (2009 - $0.2 million) related to a jointly controlled subsidiary, Twin Falls, has been included in expenses.

8. LONG TERM DEBT

	Hydro	Churchill Falls	Total	Hydro	Churchill Falls	Total
(millions of dollars)		2010			2009	
Long-term debt	1,144.9	-	1,144.9	1,149.8	29.3	1,179.1
Less current portion	8.2	-	8.2	8.2	29.3	37.5
	1,136.7	-	1,136.7	1,141.6	-	1,141.6

Nalcor

Nalcor maintains an unsecured revolving term credit facility with its banker in the amount of $150.0 million Canadian or US equivalent. Borrowings in Canadian dollars may take the form of Prime Rate Advances, BAs and Letters of Credit. Borrowings in USD may take the form of Base Rate Advances, LIBOR Advances and Letters of Credit. The facility also provides coverage for overdrafts on Nalcor's bank accounts, with interest calculated at the Prime Rate. The terms of the credit facility allows for the expansion of the facility up to $300.0 million Canadian or US equivalent as a non-revolving term credit facility, secured by the guarantee of the Province. At year-end, the only drawing on the facility was one irrevocable letter of credit issued on behalf of Nalcor's subsidiary, Oil and Gas. This letter of credit, in the amount of $1.5 million, was issued to the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) to satisfy certain financial responsibility requirements specified in the Accords Acts with respect to the issuance of authorizations for petroleum related work or activities within the Newfoundland and Labrador offshore area.

Hydro

	Face Value	Coupon Rate%	Year of Issue	Year of Maturity		
(millions of dollars)					2010	2009
V *	125.0	10.50	1989	2014	124.6	124.5
X *	150.0	10.25	1992	2017	149.3	149.2
Y *	300.0	8.40	1996	2026	293.3	293.1
AB *	300.0	6.65	2001	2031	306.7	306.8
AD *	125.0	5.70	2003	2033	123.6	123.6
AE	225.0	4.30	2006	2016	223.8	223.7
Total debentures	1,225.0				1,221.3	1,220.9
Less: sinking fund investments in own debentures					76.4	71.1
					1,144.9	1,149.8
Less: payments due within one year					8.2	8.2
					1,136.7	1,141.6

* Sinking funds have been established for these issues.

Promissory notes, debentures and long-term loans are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments by the Province. The Province charges Hydro a guarantee fee of 1.0% annually on the total debt (net of sinking funds) guaranteed by the Province, outstanding as of the preceding December 31. For the years ended December 31, 2010 and 2009, the guarantee fee was waived by the Province.

Hydro uses promissory notes to fulfill its short-term funding requirements. As at December 31, 2010, there were no promissory notes outstanding (2009 - nil).

Hydro maintains a $50.0 million Canadian or US equivalent unsecured operating credit facility with its banker. At year-end there were no amounts drawn on the facility (2009 - nil). Advances may take the form of a Prime Rate advance or the issuance of a BA with interest calculated at the Prime Rate or prevailing Government BA fee. The facility also provides coverage for overdrafts on Hydro's bank accounts, with interest calculated at the Prime Rate. At year-end, Hydro had 24 letters of credit outstanding (Note 19(g)) reducing the availability of the credit facility by $18.9 million (2009 - $7.5 million).

Required repayments of long-term debt and sinking fund requirements over the next five years will be as follows:

(millions of dollars)	2011	2012	2013	2014	2015
Sinking fund requirement	8.2	8.2	8.2	8.2	8.2
Long-term debt repayment	-	-	-	125.0	-
	8.2	8.2	8.2	133.2	8.2

Churchill Falls

(millions of dollars)	2010	2009
Bank of Nova Scotia Credit Agreement		
4.4% due December 15, 2010		
Outstanding	-	29.3
Due within one year	-	29.3
Total long-term debt	-	-

On December 15, 2010, Churchill Falls repaid the Bank of Nova Scotia Credit Agreement in full.

Operating Credit Facility

Churchill Falls maintains a $10.0 million Canadian unsecured operating credit facility with its banker and at year-end, there were no amounts drawn on the facility (2009 - nil). Advances may take the form of a Prime Rate advance or the issuance of BAs with interest calculated at the Prime Rate or prevailing Government BA fee. The facility provides coverage for overdrafts on Churchill Falls' bank accounts, with interest calculated at the Prime Rate. At year-end, Churchill Falls had two letters of credit outstanding (Note 19(g)) reducing the availability of the credit facility by $1.0 million (2009 - $1.0 million).

Churchill Falls had an additional letter of credit outstanding with another Schedule 1 Chartered Bank in the amount of $1.0 million (2009 - $1.0 million). This letter of credit did not reduce the availability of the credit facility at year end.

9. ASSET RETIREMENT OBLIGATIONS

During the year ended December 31, 2010, Nalcor recognized an $11.4 million liability associated with retirement of portions of the HTGS and $3.8 million of retirement obligations associated with Nalcor's net ownership interest in petroleum and natural gas properties. The reconciliation of the beginning and ending carrying amount of asset retirement obligations is as follows:

(millions of dollars)	2010	2009
Asset retirement obligations, beginning of year	-	-
Liabilities incurred	15.2	-
Liabilities settled	-	-
Accretion	0.1	-
Revisions	(0.5)	-
Asset retirement obligations, end of year	14.8	-

The total undiscounted estimated cash flows required to settle the obligations as at December 31, 2010 is $25.3 million (2009 - nil). Payments to settle the liabilities are expected to occur between 2017 and 2029. The fair value of the asset retirement obligations was determined using the present value of future cash flows discounted using a credit-adjusted risk-free rate ranging from 4.1% to 4.7%.

A significant number of Nalcor's assets include generation plants, transmission assets and distribution systems. These assets can continue to run indefinitely with ongoing maintenance activities. As it is expected that Nalcor's assets will be used for an indefinite period, no removal date can be determined and consequently, a reasonable estimate of the fair value of any related asset retirement obligation cannot be determined at this time. If it becomes possible to estimate the fair value of the cost of removing assets that Nalcor is legally required to remove, an asset retirement obligation for those assets will be recognized at that time.

10. LONG-TERM PAYABLE

The long-term payable to Hydro-Québec as at December 31, 2010, represents the accumulation of differences between energy delivered monthly and the AEB energy billed monthly, which will be tracked during the four-year period from September 1, 2008 to August 31, 2012. Currently, the full amount of $4.6 million (2009 - $4.3 million) is long-term bearing interest at 7.0%. The final amount will be determined on August 31, 2012, and will be paid or collected monthly beginning September 2012 and ending August 2016.

11. EMPLOYEE FUTURE BENEFITS

Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $5.8 million (2009 - $5.3 million) are expensed as incurred.

Other Benefits

Nalcor provides group life insurance and healthcare benefits on a cost-shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. In 2010, cash payments to beneficiaries for its unfunded other employee future benefits was $2.4 million (2009 - $2.7 million). The most recent actuarial valuation was performed as at December 31, 2009 and extrapolated to December 31, 2010. The next actuarial valuation will be performed as at December 31, 2012.

(millions of dollars)	2010	2009
Accrued benefit obligation		
Balance at beginning of year	72.7	52.3
Current service cost	2.6	1.6
Interest cost	4.8	3.9
Actuarial loss	9.8	17.6
Benefits paid	(2.4)	(2.7)
Balance at end of year	87.5	72.7
Plan deficit	87.5	72.7
Unamortized actuarial loss	(27.0)	(18.1)
Unamortized past-service cost	(0.2)	(0.2)
Accrued benefit liability at end of year	60.3	54.4

(millions of dollars)	2010	2009
Component of benefit cost		
Current service cost	2.6	1.6
Interest cost	4.8	3.9
Actuarial loss	9.8	17.6
	17.2	23.1
Difference between actuarial loss and amount recognized	(8.9)	(17.6)
Benefit expense	8.3	5.5

The significant actuarial assumptions used in measuring the accrued benefit obligations and benefit expense are as follows:

	2010	2009
Discount rate – benefit cost	6.50%	7.50%
Discount rate – accrued benefit obligation	5.75%	6.50%
Rate of compensation increase	3.50%	3.50%

Assumed healthcare trend rates:

	2010	2009
Initial health care expense trend rate	7.50%	7.50%
Cost trend decline to	5.00%	5.00%
Year that rate reaches the rate it is assumed to remain at	2016	2016

A 1% change in assumed health care trend rates would have had the following effects:

Increase	2010	2009
Current service and interest cost	1.3	0.8
Accrued benefit obligation	15.1	11.1

Decrease	2010	2009
Current service and interest cost	(1.0)	(0.6)
Accrued benefit obligation	(11.7)	(8.7)

12. SHAREHOLDER'S EQUITY

Share Capital

(millions of dollars)	2010	2009
Common shares of par value $1 each		
Authorized: unlimited		
Issued and outstanding 122,500,000 (2009 – 122,500,000)	122.5	122.5

Contributed Capital

(millions of dollars)	2010	2009
Total contributed capital	374.1	333.5

During 2010, the Province contributed capital in the amount of $40.0 million (2009 - $142.0 million) and the Churchill Falls (Labrador) Corporation Trust (the Trust) contributed $0.6 million (2009 - nil).

13. ACCUMULATED OTHER COMPREHENSIVE INCOME

(millions of dollars)	2010	2009
Balance, beginning of year	22.0	16.5
Change in fair value of available for sale financial instruments	20.6	9.8
Change in fair value of derivatives designated as cash flow hedges	1.1	9.2
Amount recognized in net income	(16.4)	(13.5)
Balance, end of year	27.3	22.0

14. CAPITAL MANAGEMENT

Nalcor's primary objectives when managing capital are to minimize Nalcor's cost of capital within the confines of established risk parameters, and to safeguard Nalcor's ability to continue as a going concern. Nalcor's approach to capital management is performed on a consolidated basis. Management monitors the capital requirement for each subsidiary individually.

The capital managed by Nalcor is comprised of debt (long-term debentures, promissory notes, bank credit facilities and bank indebtedness) and equity (share capital, contributed capital, accumulated other comprehensive income and retained earnings).

A summary of the capital structure is outlined below:

(millions of dollars)	2010		2009	
Debt				
Long-term debt	1,136.7		1,141.6	
Current portion of long-term debt	8.2		37.5	
Sinking funds	(208.4)		(179.6)	
	936.5	42.5%	999.5	46.7%
Equity				
Share capital	122.5		122.5	
Contributed capital	374.1		333.5	
Accumulated other comprehensive income	27.3		22.0	
Retained earnings	741.5		664.0	
	1,265.4	57.5%	1,142.0	53.3%
Total debt and equity	2,201.9	100.0%	2,141.5	100.0%

Nalcor's unsecured operating facility has covenants restricting the issuance of debt such that the unconsolidated debt to total capitalization ratio cannot exceed 70%. The covenants further stipulate that the Debt Service Coverage Ratio should at all times be greater than 1.5 to 1.0 on an unconsolidated basis. As at December 31, 2010, Nalcor was in compliance with these covenants.

Hydro

Hydro's principal business requires ongoing access to capital in order to maintain the continued delivery of safe and reliable service to its customers. Therefore, Hydro's primary objective when managing capital is to ensure ready access to capital at a reasonable cost.

Hydro's approach to capital management encompasses various factors including monitoring the percentage of floating rate debt in the total debt portfolio, the weighted average term to maturity of its overall debt portfolio, its percentage of debt to debt plus equity and its earnings before interest and taxes (EBIT) coverage of interest.

For the regulated portion of Hydro's operations a capital structure comprised of 75% debt and 25% common equity is maintained, a ratio which management believes to be optimal with respect to its cost of capital. This capital structure is maintained by a combination of dividend policy, contributed equity and debt issuance. The issuance of any new debt with a term greater than one year requires prior approval of Hydro's regulator, the PUB.

Per legislation, the total of the short-term loans issued by Hydro and outstanding at any time shall not exceed a limit as fixed by the Lieutenant-Governor in Council. Short-term loans are those loans issued with a term not exceeding two years. The current limit is set at $300.0 million. The balance outstanding as at December 31, 2010 was nil (2009 - nil). Issuance of long-term and short-term debt by Hydro is further restricted by Bill C-24, an amendment to the Newfoundland and Labrador Hydro Act of 1975. The Bill effectively limits Hydro's total borrowings, which includes both long and short-term debt, to $1.6 billion at any point in time.

Churchill Falls

Churchill Falls' objective when managing capital is to maintain its ability to continue as a going concern. Churchill Falls' requirements for capital in the future are expected to increase, coincident with the aging of the plant and related infrastructure and the execution of the long-term asset management plan. The focus of the capital management policy is to provide flexibility to ensure cash continues to be available to satisfy capital requirements. Managing the level of dividend payments is a key aspect of ensuring the availability of funding to maintain the plant and infrastructure.

At present, the capital position of Churchill Falls is comprised entirely of equity capital (share capital, contributed capital and retained earnings). The capital structure is adjusted through the amount of dividends paid to shareholders.

Oil and Gas

Future requirements for capital are expected to increase to fund Oil and Gas' share of project development costs. Capital costs to date have been financed by equity. As projects reach the production stage, Oil and Gas' cash from operations will contribute to funding its capital requirements by reducing the reliance on Nalcor to finance growth.

Bull Arm Fabrication

Bull Arm Fabrication's objective when managing capital is to maintain its ability to continue as a going concern. The focus of the capital management policy is to ensure the availability of sufficient cash to satisfy capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The estimated fair values of financial instruments as at December 31, 2010 and 2009 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Nalcor might receive or incur in actual market transactions.

As a significant number of Nalcor's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Nalcor as a whole.

	Carrying Value	Fair Value	Carrying Value	Fair Value
(millions of dollars)	2010		2009	
Financial assets				
Cash and cash equivalents	44.5	44.5	14.0	14.0
Short-term investments	15.7	15.7	49.2	49.2
Accounts receivable	93.9	93.9	88.9	88.9
Derivative assets (including current portion)	2.0	2.0	7.0	7.0
Sinking funds – investments in same Hydro issue	76.4	93.6	71.1	85.2
Sinking funds – other investments	208.4	208.4	179.6	179.6
Reserve fund	39.3	39.3	34.8	34.8
Long-term receivable(1)	25.7	n/a	24.8	n/a
Financial liabilities				
Accounts payable and accrued liabilities	152.1	152.1	125.2	125.2
Derivative liabilities	0.3	0.3	-	-
Long-term debt including amount due within one year (before sinking funds)	1,221.3	1,589.7	1,250.2	1,471.0
Long-term payable	4.6	4.7	4.3	4.4

The fair value of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

(1) The fair value of the long-term receivable is subject to uncertainty regarding the timing of future cash flows and as such, the fair value of the long-term receivable cannot be determined at December 31, 2010 and 2009.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents Nalcor's fair value hierarchy for financial assets and liabilities as at December 31. There were no transfers between Level 1 and Level 2 during the year:

(millions of dollars)	Level 1	Level 2	Total
		2010	
Financial assets			
Cash and cash equivalents	44.5	-	44.5
Short-term investments	15.7	-	15.7
Accounts receivable	93.9	-	93.9
Derivative assets	-	2.0	2.0
Sinking funds – investments in same Hydro issue	-	93.6	93.6
Sinking funds – other investments	-	208.4	208.4
Reserve fund	-	39.3	39.3
Financial liabilities			
Accounts payable and accrued liabilities	152.1	-	152.1
Derivative liabilities	-	0.3	0.3
Long-term debt including amount due within one year (before sinking funds)	-	1,589.7	1,589.7
Long-term payable	-	4.7	4.7
		2009	
Financial assets			
Cash and cash equivalents	14.0	-	14.0
Short-term investments	49.2	-	49.2
Accounts receivable	88.9	-	88.9
Derivative assets	-	7.0	7.0
Sinking funds – investments in same Hydro issue	-	85.2	85.2
Sinking funds – other investments	-	179.6	179.6
Reserve fund	-	34.8	34.8
Financial liabilities			
Accounts payable and accrued liabilities	125.2	-	125.2
Derivative liabilities	-	-	-
Long-term debt including amount due within one year (before sinking funds)	-	1,471.0	1,471.0
Long-term payable	-	4.4	4.4

There were no financial assets or liabilities valued using Level 3 of the fair value hierarchy as at December 31, 2010 and 2009.

Risk Management

Exposure to credit risk, liquidity risk and market risk arises in the normal course of Nalcor's business.

Credit Risk

Nalcor is exposed to credit risk in the event of non performance by counterparties to its financial instruments. The majority of the receivables are from regulated utilities which minimizes credit risk. There is risk that Nalcor will not be able to collect all of its remaining accounts receivable and amounts owing under its customer finance plans. These financial instruments which arise in the normal course of business do not represent a significant concentration of credit risk as amounts are owed by a large number of customers on normal credit terms. Nalcor manages this credit risk primarily by executing its credit and collection policy including the requirement for security deposits from certain customers. As at December 31, 2010 security deposits of $0.1 million (2009 - $0.1 million) are included in accounts payable and accrued liabilities.

Nalcor's three largest customers account for 78.3% (2009 - 78.8%) of total energy sales and 59.6% (2009 - 67.5%) of accounts receivable. These customers are comprised of rate regulated organizations or organizations with investment grade credit ratings.

Nalcor does not have any significant amounts that are past due and uncollectable for which a provision has not been recognized at December 31, 2010.

Nalcor manages its investment credit risk exposure by restricting its investments to high-quality securities such as Canada Treasury Bills, Bankers' Acceptances drawn on Schedule 1 Canadian Chartered Banks and Term Deposits issued by Schedule 1 Canadian Chartered Banks. Additionally, the investments held within the portfolios of Churchill Falls do not exceed 10% with any one institution with the exception of the Government of Canada.

Liquidity Risk

Nalcor is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. This risk is managed by maintaining borrowing facilities sufficient to cover both anticipated and unexpected fluctuations within the operations and by continuously monitoring cash flows.

Short-term liquidity is provided through cash and cash equivalents on hand, funds from operations, a $300.0 million promissory note program and credit facilities.

Long-term liquidity risk is managed by the issuance of a portfolio of debentures with maturity dates ranging from 2014 to 2033. Sinking funds have been established for these issues, with the exception of Series AE.

The following are the contractual maturities of Nalcor's financial liabilities, including principal and interest, as at December 31, 2010:

(millions of dollars)	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
Accounts payable and accrued liabilities	152.1	-	-	-	152.1
Derivative liabilities	0.3	-	-	-	0.3
Long-term debt including amount due within one year	-	-	125.0	1,100.0	1,225.0
Long-term payable	-	1.5	2.3	0.8	4.6
Interest	61.8	181.3	161.5	752.4	1,157.0
	214.2	182.8	288.8	1,853.2	2,539.0

Market Risk

Market risk refers primarily to the risk of loss resulting from changes in interest rates, commodity prices and foreign exchange rates. Nalcor has a formal financial risk management policy that outlines the risks associated with the operations of Nalcor and its subsidiaries outlining approaches and guidelines to be followed in the management of those risks. This policy is reviewed by Nalcor's Board of Directors annually or more frequently if there is a material change to Nalcor's financial risks. The Audit Committee of the Board provides oversight on behalf of the Board with the exception of any items that specifically require Board approval.

Interest Rates

Interest rate risk is managed within the corporate financing strategy whereby floating rate debt exposures and interest rate scenarios are forecast and evaluated. A diversified portfolio of fixed and floating rate debt is maintained and managed with a view to an acceptable risk profile. Key quantitative parameters for interest rate risk management includes the percentage of floating rate debt in the total debt portfolio, coupled with an examination of the weighted average term to maturity of the entire debt portfolio. By setting clear guidelines in respect to these quantitative parameters, Nalcor attempts to minimize the likelihood of a material impact on net income resulting from an unexpected change in interest rates.

Nalcor is exposed to interest rate risk related to the short-term debt portfolio, the sinking fund investment portfolios and reserve fund investment portfolios. Interest rate risk on the long-term debt portfolio is mitigated through the use of fixed rate debentures. The following table illustrates Nalcor's exposure to a 100 basis point (1%) change in interest rates:

	Net Income		Other Comprehensive Income	
(millions of dollars)	1% decrease	1% increase	1% decrease	1% increase
Interest on short-term investments	(0.4)	0.4	-	-
Interest on sinking fund	-	-	29.3	(10.3)
Interest on reserve fund	(0.1)	0.1	1.1	(0.9)
	(0.5)	0.5	30.4	(11.2)

Foreign Currency and Commodity Exposure

The fair value of future cash flows of a financial instrument will fluctuate due to changes in the exchange rate between the foreign currency and the Canadian dollar. Nalcor's primary exposure to both foreign exchange and commodity price risk arises within Hydro from its purchases of No. 6 fuel for consumption at the HTGS, certain electricity sales and oil sales which are denominated in USD.

During 2010, Hydro had total purchases of No. 6 fuel of $104.1 million (2009 - $87.5), million denominated in USD. Exposure to both the foreign exchange and commodity price risk associated with these fuel purchases is mitigated through the operation of the RSP. The purpose of the RSP is to both reduce volatility in customer rates as well as mitigate potential net income volatility from fuel price and volume variations. All variances in fuel prices including exchange rates, as compared to that approved in Hydro's most recent cost of service study, are captured in the RSP and are either refunded to or collected from customers through rate adjustments. Hydro also employs the periodic use of forward currency contracts to manage exposure to exchange rates on a particular day.

During 2010, total electricity sales denominated in USD were $72.8 million (2009 - $41.8 million). Nalcor mitigates this risk through the use of commodity swaps and foreign currency forward contracts.

During 2009, Hydro entered into a series of 24 monthly foreign exchange forward contracts, in the amount of $87.8 million USD at an average exchange rate of 1.17 to hedge 75% of Hydro's forecasted USD electricity sales, the last of which expires in April 2011. These contracts have been designated as part of a hedging relationship.

During 2010, Hydro entered into 28 commodity swap contracts totalling $24.7 million, the last of which expired in December 2010. These contracts swapped floating market rates for fixed rates which ranged from $26 USD/MWh to $50 USD/MWh. These contracts have not been designated as part of a hedging relationship. During 2010, 24 of these were settled. The fair value of the four contracts outstanding as at December 31, 2010 is a liability of $0.3 million and $3.4 million in losses from these contracts is included in Other gains and losses.

Oil and Gas has sales denominated in US dollars that are based on prevailing market oil prices. Market risk associated with fluctuations in oil prices and foreign exchange rates is managed consistent with Nalcor's financial risk management policy.

Effect of Hedge Accounting on Financial Statements

	Net Gains Included in Net Income	**Unrealized Gains Included in OCI**	**Net Gains Included in Net Income**	**Unrealized Gains Included in OCI**
(millions of dollars)	**2010**		**2009**	
Ineffective portion	**0.2**	**-**	**0.5**	**-**
Effective portion	**5.9**	**1.3**	**2.4**	**6.2**

The ineffective portion of hedging gains and losses is included in net income through Other gains and losses.

16. INTEREST AND FINANCE INCOME/CHARGES

(millions of dollars)	2010	2009
Interest and finance income		
Interest on sinking fund	15.2	13.9
Interest on reserve fund	1.4	1.3
Other interest income	1.4	3.0
	18.0	18.2
Interest and finance charges		
Long-term debt	91.7	91.8
Interest on rate stabilization plan	10.2	7.0
Accretion of long-term debt	0.4	0.4
Amortization of deferred foreign exchange losses	2.1	2.2
Other	1.9	1.7
	106.3	103.1
Interest capitalized during construction	(1.2)	(0.8)
	105.1	102.3

17. SUPPLEMENTARY CASH FLOW INFORMATION

(millions of dollars)	2010	2009
Accounts receivable	(5.0)	(11.7)
Inventory	(3.5)	(6.8)
Prepaid expenses	(1.4)	(1.7)
Regulatory assets	4.4	5.5
Regulatory liabilities	37.2	68.8
Accounts payable and accrued liabilities	26.9	39.1
Employee future benefits	5.9	2.8
	64.5	96.0
Income taxes paid	0.2	0.2
Interest received	2.2	2.6
Interest paid	92.4	93.0

18. SEGMENT INFORMATION

Nalcor operates in five business segments. Hydro Regulated encompasses sales of electricity to customers within the Province. Churchill Falls operates a hydroelectric generating facility and sells electricity primarily to Hydro-Québec. Oil and Gas activities include exploration, development, production, transportation and processing sectors of the oil and gas industry. Energy Marketing activities include the sale of electricity to markets outside the Province. Other encompasses industrial fabrication, some non-regulated electricity sales, development activities including the Lower Churchill Hydroelectric Development and corporate activities. The designation of segments has been based on a combination of regulatory status and management accountability. The segments' accounting policies are the same as those described in Note 2.

	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Other	Inter-Segment	Total
(millions of dollars)				2010			
Revenue							
Energy sales	417.1	76.0	15.3	77.5	6.8	(3.9)	588.8
Interest and finance income	16.1	1.7	-	-	0.5	(0.3)	18.0
Other revenue	2.3	0.3	3.9	-	3.3	3.5	13.3
	435.5	78.0	19.2	77.5	10.6	(0.7)	620.1
Expenses							
Fuels	140.3	-	-	-	0.1	-	140.4
Power purchased	44.2	-	-	4.1	-	(3.9)	44.4
Operations and administration	97.8	40.5	10.7	21.4	12.2	-	182.6
Interest and finance charges	102.9	1.6	0.1	0.5	0.3	(0.3)	105.1
Amortization	43.8	12.6	10.9	-	0.2	-	67.5
Other gains and losses	-	-	-	2.6	-	-	2.6
	429.0	54.7	21.7	28.6	12.8	(4.2)	542.6
Net income (loss) from operations	6.5	23.3	(2.5)	48.9	(2.2)	3.5	77.5
Preferred dividends	-	3.5	-	-	-	(3.5)	-
Net income (loss)	6.5	26.8	(2.5)	48.9	(2.2)	-	77.5
Capital expenditures	55.5	9.9	82.8	-	48.1	-	196.3
Total assets	1,831.5	417.1	278.3	7.4	324.7	(54.2)	2,804.8

	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Other	Inter-Segment	Total
(millions of dollars)				2009			
Revenue							
Energy sales	443.8	61.0	-	54.7	6.0	(3.9)	561.6
Interest and finance income	16.4	1.4	-	-	0.4	-	18.2
Other revenue	2.2	0.3	0.4	-	6.1	1.3	10.3
	462.4	62.7	0.4	54.7	12.5	(2.6)	590.1
Expenses							
Fuels	155.2	-	-	-	-	-	155.2
Power purchased	46.8	-	-	4.2	-	(3.9)	47.1
Operations and administration	100.9	37.7	2.7	16.6	13.4	-	171.3
Interest and finance charges	99.9	1.8	-	0.6	-	-	102.3
Amortization	41.7	12.8	0.1	-	0.3	-	54.9
Other gains and losses	-	-	-	(0.7)	-	-	(0.7)
	444.5	52.3	2.8	20.7	13.7	(3.9)	530.1
Net income (loss) from operations	17.9	10.4	(2.4)	34.0	(1.2)	1.3	60.0
Preferred dividends	-	1.3	-	-	-	(1.3)	-
Net income (loss)	17.9	11.7	(2.4)	34.0	(1.2)	-	60.0
Capital expenditures	54.1	3.7	82.6	-	37.7	-	178.1
Total assets	1,766.0	420.5	198.3	10.2	286.2	(50.5)	2,630.7

Geographic Information

Revenues by geographic area:

(millions of dollars)	2010	2009
Newfoundland and Labrador	476.4	480.8
Québec	71.9	69.2
New Brunswick	60.7	3.5
Nova Scotia	11.1	36.6
	620.1	590.1

All of Nalcor's physical assets are located in the Province.

19. COMMITMENTS AND CONTINGENCIES

(a) Under the terms of a sublease with Twin Falls, expiring on December 31, 2014, Churchill Falls is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain Twin Falls' plant and equipment. The costs associated with making the plant operational, if required, are not estimable at this time. In 2015, the physical assets of Twin Falls will revert to Churchill Falls, and Churchill Falls is required to make this horsepower available to Hydro at rates that are commercially reasonable pursuant to the 1999 shareholders' agreement.

(b) The results of an Environmental Site Assessment (ESA) conducted at the Twin Falls Generating Station indicated higher than acceptable concentrations of contaminants in the soil and waters adjacent to the powerhouse. Further testing was conducted to determine the extent of contamination. The recommendations arising from this testing indicate that remediation is not required, but that monitoring be carried out every five years. Monitoring was performed throughout 2010 with no remediation required. Further monitoring will be performed in 2015.

(c) Hydro entered into power sales agreements with third parties with respect to the energy previously sold to Hydro-Québec under a power sales agreement that expired on March 31, 2009. To facilitate market access, Hydro entered into a five-year transmission service agreement with Hydro-Québec TransÉnergie to acquire access to 265 MW of transmission capacity from Labrador through Québec. Hydro has the right to renew its transmission service contract at the end of the contract term. If at that time there is a competing service request for the same path, in order to renew the service agreement, Hydro must agree to accept a contract term that is at least equal to that of the competing request.

Pursuant to Hydro's five-year transmission service agreement with Hydro-Québec TransÉnergie, the transmission rental payments to contract maturity are as follows:

2011	$19.4 million
2012	$19.4 million
2013	$19.4 million
2014	$4.8 million

(d) Nalcor and its subsidiaries have received claims instituted by various companies and individuals with respect to outages and other miscellaneous matters. Although such matters cannot be predicted with certainty, management currently considers Nalcor's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, to be $0.1 million (2009 - $0.1 million).

One of Hydro's industrial customers commenced legal proceedings in 1997, claiming approximately $21.8 million (2009 - $21.9 million) related to outages and plant shutdowns. Hydro is defending this claim. While the ultimate outcome of this action cannot be ascertained at this time, in the opinion of Hydro's management, following consultation with its legal counsel, no liability should be recognized.

(e) Outstanding commitments for capital projects total approximately $41.6 million (2009 - $22.4 million). In addition, Oil and Gas has committed to fund its share of all exploration and development projects.

(f) Hydro has entered into a number of long-term power purchase agreements as follows:

Type	Rating	In-Service Date	Term
Hydroelectric	175 kW	1988	Continual
Hydroelectric	3 MW	1995	25 years
Hydroelectric	4 MW	1998	25 years
Cogeneration	15 MW	2003	20 years
Wind	390 kW	2004	15 years
Wind	27 MW	2008	20 years
Wind	27 MW	2009	20 years

Estimated payments due in each of the next five years are as follows:

(millions of dollars)	2011	2012	2013	2014	2015
Power purchases	23.9	24.5	25.1	25.6	26.1

On December 16, 2008, the Province licensed Nalcor Energy to manage and operate the Star Lake, Grand Falls and Bishop's Falls hydro facilities on behalf of the Province. The power purchase agreements that previously applied to these facilities were cancelled through Legislation.

(g) Nalcor has issued an irrevocable letter of credit, in the amount of $1.5 million, to the C-NLOPB to satisfy certain financial responsibility requirements specified in the Accords Acts with respect to the issuance of authorizations for petroleum-related work or activities within the Newfoundland and Labrador offshore area.

Hydro has issued 23 irrevocable letters of credit to the New Brunswick System Operator totalling $18.6 million as credit support related to applications for point to point transmission services. In addition Hydro has issued one letter of credit to the Department of Fisheries and Oceans in the amount of $0.3 million as a performance guarantee in relation to the Fish Habitat Compensation Agreement.

Churchill Falls has issued three irrevocable letters of credit totalling $2.0 million to ensure satisfactory management of its waste management and compliance with a certificate of approval for the transportation of special hazardous wastes, granted by the Provincial Department of Environment and Conservation.

(h) Hydro has received funding, in the amount of $3.0 million, from the Atlantic Canada Opportunities Agency in relation to a wind-hydrogen-diesel research and development project. This funding is repayable in annual installments of $25,000 per commercial implementation of the resulting product. As at December 31, 2010 there have been no commercial implementations.

(i) On February 23, 2010, Churchill Falls filed a motion against Hydro-Québec in the Québec Superior Court. The motion is seeking a modification to the pricing terms of the 1969 Power Contract as of November 30, 2009. The trial is scheduled for the fall of 2013. The outcome of this motion is not determinable at this time.

(j) Pursuant to the terms of the 1999 shareholders' agreement, in 2007, Churchill Falls commenced the creation of a $75.0 million segregated reserve fund to contribute towards the funding of capital expenditures related to Churchill Falls' existing facilities and their replacement. Churchill Falls invested $17.0 million in each of 2007, 2008 and 2009, and $8.0 million in 2010. The remaining investments will be acquired during a 30-day period commencing on each of the following dates:

January 1, 2011	$8.0 million
January 1, 2012	$8.0 million

This fund must remain in place until the end of the shareholders' agreement in 2041. Any amounts removed to fund capital expenditures must be replaced. Reserve fund holdings consist of securities issued by the Government of Canada, various provinces of Canada and Schedule 1 Canadian Chartered Banks. Nalcor's share of this commitment is 65.8%.

20. RELATED PARTY TRANSACTIONS

Nalcor enters into various transactions with its parents, subsidiaries and other affiliates. These transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Related parties with which Nalcor transacts are as follows:

Related Party	Relationship
The Province	The Province is a 100% shareholder of Nalcor Energy.
Churchill Falls	Churchill Falls is a jointly controlled subsidiary of Hydro.
Twin Falls	Twin Falls is a jointly controlled subsidiary of Churchill Falls.
The Trust	Churchill Falls (Labrador) Corporation Trust was created by the Province with Churchill Falls as the beneficiary.
Board of Commissioners of Public Utilities	The PUB is an agency of the Province.

Intercompany transactions and balances have been eliminated upon consolidation. The amounts included in the financial statements for related party transactions are as follows:

		The Province	Other Affiliates	Total
(millions of dollars)			2010	
Revenue	(d)(f)(g)	7.2	-	7.2
Expenses	(a)(b)(c)(j)(k)	16.3	1.3	17.6
Accounts receivable	(b)(d)(f)(h)	0.9	1.8	2.7
Accounts payable and accrued liabilities	(c)(i)(j)(k)	10.5	0.1	10.6
Deferred credits	(e)(g)	2.5	-	2.5

(millions of dollars)			2009	
Revenue	(d)(f)(g)	3.9	-	3.9
Expenses	(a)(b)(c)(j)(k)	18.0	1.6	19.6
Accounts receivable	(b)(d)(h)	0.1	0.6	0.7
Accounts payable and accrued liabilities	(c)(i)(j)(k)	9.5	0.1	9.6
Deferred credits	(e)(f)(g)	1.1	-	1.1

(a) Hydro has entered into a long-term power contract with Churchill Falls for the purchase of $6.0 million (2009 - $5.9 million) of the power produced by Churchill Falls.

(b) For the year ended December 31, 2010, approximately $3.7 million (2009 - $2.8 million) of operating costs were recovered from Churchill Falls for engineering, technical, management and administrative services. At December 31, 2010, $1.7 million (2009 - $0.6 million) was receivable from Churchill Falls.

(c) Hydro is required to contribute to the cost of operations of the PUB as well as pay for the cost of hearings into applications it makes. During 2010, Hydro incurred $0.6 million in costs related to the PUB (2009 – $0.6 million) of which $0.1 million (2009 - $0.1 million) was included in Accounts payable and accrued liabilities.

(d) During 2010, Hydro received $0.4 million (2009 - $0.4 million) as a rate subsidy for rural isolated customers from the Province and $1.6 million (2009 - $1.6 million) as an energy rebate to offset the cost of basic electricity consumption for Labrador rural isolated residential customers under the Northern Strategic Plan with $0.3 million (2009 - $0.1 million) recorded as Accounts receivable at year-end.

(e) During 2010, Bull Arm Fabrication received $1.0 million (2009 - $2.0 million) in funding from the Province. As at December 31, 2010, $0.3 million (2009 - $0.5 million) is included in Deferred credits.

(f) Petroleum Exploration Enhancement Program (PEEP) was established as part of the Newfoundland and Labrador Energy Plan. PEEP is designed to boost new petroleum exploration in Western Newfoundland through the acquisition and assessment of seismic data. Funding for PEEP is provided by the Province and the program is administered by Oil and Gas. Total funding available under PEEP is $5.0 million over five years. As at December 31, 2010, $1.0 million of funds have been received to date and $0.6 million is recorded as due from the Province (2009 - $0.4 million in Deferred credits).

(g) The Offshore Geoscience Data Project (OGDP) was established as part of the Newfoundland and Labrador Energy Plan. OGDP is designed to boost new offshore petroleum exploration in Newfoundland through the acquisition and assessment of seismic data. Funding for OGDP is provided by the Province and the program is administered by Oil and Gas. Total funding available under OGDP is $20.0 million over three years beginning in 2010. As at December 31, 2010, $5.0 million has been received from the Province of which $2.1 million (2009 - nil) has been recorded as Deferred credits.

(h) On February 3, 2010, the Province established the Trust with Churchill Falls as the beneficiary. The purpose of this Trust is to fund the external costs and expenses in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the 1969 Power Contract. To date, $0.8 million has been received and $0.2 million has been accrued as due from the Trust.

(i) Prior to January 1, 2009, the Provincial Minister of Finance was authorized to invest any surplus from Bull Arm Fabrication's operations. Each year, the surplus or deficit from operations was credited or charged to the distribution payable to the Province, however, there are no set terms of payment. The balance contains the accumulated results of operations of Bull Arm Fabrication since inception up to January 1, 2009, less any distributions paid to the Province. Effective January 1, 2009, earnings are to be retained and are reported as retained earnings. As at December 31, 2010, $0.8 million (2009 - $0.8 million) of distributions payable to the Province are included in Accounts payable and accrued liabilities. Bull Arm Fabrication also has a payable to the Province of $0.3 million (2009 - $0.3 million) related to costs incurred prior to the transfer of Bull Arm Fabrication to Nalcor.

(j) Nalcor, as the operator of the Exploits assets, has a net payable to the Province of $5.7 million (2009 - $6.0 million) which is included in Accounts payable and accrued liabilities. Nalcor operates these assets on behalf of the Province on a cost recovery basis.

(k) Under the terms and conditions of the Churchill Falls (Labrador) Corporation (Lease) Act, 1961, Churchill Falls must pay rentals and royalties to the Province annually. As at December 31, 2010, $5.6 million (2009 - $3.7 million) was payable.

(l) Hydro received contributions in aid of construction from the Province related to wind feasibility studies. As at December 31, 2010, $0.1 million (2009 - $0.2 million) has been recorded as a deferred capital contribution.

21. WATER MANAGEMENT AGREEMENT

In June 2007, the Province passed an amendment to the Electrical Power Control Act, 1994 (EPCA). The amendment requires parties, that utilize a common water resource in the province for power production, to enter into a water management agreement. The amendment provides that any resulting water management agreement will not adversely affect existing power contracts. Churchill Falls shares the Churchill River with a Nalcor Energy proposed hydro-electric generation development downstream from Churchill Falls. On March 9, 2010, the PUB issued a Board Order establishing a water management agreement between the parties.

22. LOWER CHURCHILL HYDROELECTRIC DEVELOPMENT

On November 18, 2010, a term sheet was executed between Nalcor and Emera Inc. (Emera) to develop Muskrat Falls, a hydroelectric development on the lower Churchill River in Labrador, and related transmission assets. The agreement will result in the development of the 824 MW Muskrat Falls site, with power being transmitted over a new transmission line (the Labrador-Island Transmission Link) to be constructed from Labrador across the Strait of Belle Isle to the Avalon Peninsula on the island of Newfoundland, and the development of a new transmission system (the Maritime Transmission Link) from Newfoundland to Nova Scotia, for the provision of power to Emera in Nova Scotia and the provision of market access to Nalcor. Nalcor will also obtain transmission access in Nova Scotia, New Brunswick, and Maine from Emera. The project has a total estimated capital cost of $6.2 billion (excluding capitalized financing costs). Emera will fund an estimated $1.8 billion representing a 49% interest in the transmission assets. The remaining estimated $4.4 billion will be funded by Nalcor representing a 100% interest in the Muskrat Falls generating facility and its interest in the transmission assets.

The parties continue to work towards final agreements. Completion of engineering, financing activities and regulatory approvals are required in order to make a final decision to proceed.

23. SUBSEQUENT EVENTS

(a) In January 2011, Hydro entered into nine forward contracts with a notional value of $35.7 million to hedge the foreign exchange risk on USD electricity sales. In February 2011, Hydro also entered into 20 swap contracts with a notional value of $27.8 million to hedge the commodity price risk on electricity sales.

(b) In February 2011, Oil and Gas entered into 11 swap contracts with a notional value of $17.4 million to hedge the commodity price risk on the sale of crude oil.

(c) On February 17, 2011, Oil and Gas announced that it no longer intends to drill the third of a three well drilling program related to its exploration licenses in Parson's Pond on the West Coast of Newfoundland. Oil and Gas is currently evaluating the data obtained from the first two wells in determining its next steps in exploring in this area.

(d) In March 2011, Nalcor renegotiated the terms of its credit facility with its banker in order achieve alignment with its revised short-term working capital needs. The facility has been converted to a demand operating facility with a limit of $100.0 million, with no change in the financial covenants (Note 14). Borrowings will continue to be available in the form of Prime Rate Advances, BAs and Letters of Credit. Borrowings in USD may take the form of Base Rate Advances and Letters of Credit.

24. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform with the 2010 financial statement presentation including Interest and finance charges, Other gains and losses, Accounts receivable and Accounts payable and accrued liabilities.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Members
Newfoundland and Labrador Arts Council
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Arts Council as at 31 March 2010 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
19 July 2010

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
BALANCE SHEET

31 March	2010	2009
ASSETS		
Current		
Cash	$ 76,402	$ 72,355
Short term investments, at cost	155,900	254,891
Accounts receivable (Note 2)	40,610	35,664
Prepaid expenses	2,612	2,189
	275,524	365,099
Trust Account asset (Note 3)	790	5,767
Capital asset - lease (Note 4)	7,921	11,578
Arts Fund assets (Note 5)	166,135	162,873
	$ 450,370	$ 545,317
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 123,660	$ 125,552
Obligation under capital lease (Note 7)	3,657	3,657
Deferred revenue (Note 6)	97,405	183,460
	224,722	312,669
Obligation under capital lease (Note 7)	4,264	7,921
Accrued severance pay	46,077	40,594
Trust Account liability (Note 3)	790	5,767
	275,853	366,951
Equity		
Surplus from operations	8,382	15,493
Arts Fund (Note 5)	166,135	162,873
	174,517	178,366
	$ 450,370	$ 545,317

Signed on behalf of the Council: Carmelita McGrath Reginald Winsor

Chairperson **Member**

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF REVENUES, EXPENSES AND SURPLUS
For the Year Ended 31 March

	2010		2009
	Actual	Budget	Actual
REVENUES			
Province of Newfoundland and Labrador grants	$ 2,070,555	$ 2,167,960	$ 1,910,828
Projects (Note 8)	351,500	351,500	278,293
Interest	1,469	2,000	11,368
	2,423,524	2,521,460	2,200,489
EXPENSES			
Grants awarded			
Community Arts	75,000	75,000	58,159
Labrador Initiative	133,392	230,797	53,940
Professional Artists Travel Fund grants	31,060	30,000	36,348
Professional Festivals	83,000	125,000	66,036
Project	552,760	510,500	531,574
Sustaining grants	500,000	500,000	500,000
	1,375,212	1,471,297	1,246,057
Projects (Note 9)	425,574	422,500	389,150
Operating expenses (Note 10)	629,849	643,156	524,908
	2,430,635	2,536,953	2,160,115
Excess of revenues over expenses (expenses over revenues)	(7,111)	(15,493)	40,374
Surplus (deficit) from operations, beginning of year	15,493	15,493	(24,881)
Surplus from operations, end of year	$ 8,382	$ -	$ 15,493

See accompanying notes

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ (7,111)	$ 40,374
Add non-cash items:		
Amortization expense	3,657	3,657
	(3,454)	44,031
Net change in non-cash working capital items	(93,316)	49,703
	(96,770)	93,734
Increase in accrued severance pay	5,483	15,317
	(91,287)	109,051
Cash flows from investing activities		
Decrease in Trust Account asset - CAPE Fund	4,977	245
Increase in Arts Fund	(3,262)	(6,226)
	1,715	(5,981)
Cash flows from financing activities		
Interest earned on Arts Fund	3,262	6,226
Repayment of obligation under capital lease	(3,657)	(3,657)
Decrease in Trust Account liability - CAPE Fund	(4,977)	(245)
	(5,372)	2,324
Net increase (decrease) in cash and cash equivalents	(94,944)	105,394
Cash and cash equivalents, beginning of year	327,246	221,852
Cash and cash equivalents, end of year	$ 232,302	$ 327,246
Cash and cash equivalents include:		
Cash	$ 76,402	$ 72,355
Short term investments	155,900	254,891
	$ 232,302	$ 327,246

Authority

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the *Arts Council Act* of the Province of Newfoundland and Labrador. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Council's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets, consisting of furniture, fixtures and equipment costing $93,357, have been fully amortized. Minor capital asset purchases are charged to operations in the year of acquisition.

(b) Investments

Investments are recorded at cost, which because of their short-term nature approximates market value. Investment income is recorded as earned.

(c) Deferred revenue

Deferred revenue represents funds received which relate to future operating periods. The revenue will be reported in the applicable future period when the related expenses have been incurred.

(d) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. Accordingly no provision has been made for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Council unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

2. Accounts receivable

	2010	2009
Harmonized Sales Tax	$ 30,610	$ 30,664
Province of Newfoundland and Labrador	10,000	5,000
	$ 40,610	$ 35,664

3. Trust Account

The Trust Account of $790 (2009 - $5,767) represents amounts received by the Council from the Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) for the Cultural Assistance Plan for Emergencies (CAPE) Fund which provides funds to local artists in the event of an emergency. The Council administers the trust account on behalf of ACTRA, disbursing funds to local artists who meet the established criteria for emergency assistance.

4. Asset under capital lease

During 2007-08, the Council obtained a photocopier under a five year capital lease. The asset is amortized on a straight-line basis over the life of the lease.

	2010	2009
Asset under capital lease	$ 18,282	$ 18,282
Less: accumulated amortization	10,361	6,704
	$ 7,921	$ 11,578

5. Arts Fund

The Arts Fund was created pursuant to Section 9 of the *Arts Council Act*. The principal of the Fund is to be kept intact and only the interest earned on the invested principal may be disbursed, at the discretion of the Council, to foster and promote the study, enjoyment and production of works in the arts. This Fund is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and Labrador and from gifts and bequests received without terms. Interest earned on the Fund is held in trust in the Fund until it is withdrawn. For the year ended 31 March 2010 interest of $3,262 (2009 - $6,226) was earned through investment of the Fund.

The Fund is comprised of monies received from:

	2010	2009
Province of Newfoundland and Labrador	$ 40,000	$ 40,000
Gifts and bequests as per Section 12(2) of the *Arts Council Act*	10,352	10,352
	50,352	50,352
Interest, beginning of year	112,521	106,295
Interest earned	3,262	6,226
Interest, end of year	115,783	112,521
Fund balance	$ 166,135	$ 162,873

At 31 March 2010, the Fund consisted of investments of $166,135. At 31 March 2009, the Fund consisted of investments of $162,873.

6. Deferred revenue

Deferred revenue as at 31 March 2010 consists of contributions received from the Province to be used for the Labrador Initiative. The purpose of the Labrador Initiative is to provide travel assistance grants to residents of Labrador to participate in arts and heritage activities on the Island portion of the Province. Another purpose of the Initiative is to provide travel assistance grants to arts and heritage organizations based in Labrador to enable them to have resource personnel from the Island portion of the Province travel to Labrador to attend seminars, workshops or similar events.

	2010	2009
Labrador Initiative	$ 97,405	$ 183,460
	$ 97,405	$ 183,460

7. Obligation under capital lease

	2010	2009
Obligation under capital lease	$ 7,921	$ 11,578
Less: current portion	3,657	3,657
	$ 4,264	$ 7,921

Future minimum lease payments under capital lease are:

2011	$ 4,140
2012	4,140
2013	690
	8,970
Less: interest portion of payments	1,049
	$ 7,921

8. Revenues - Projects

	2010 Actual	2010 Budget	2009 Actual
School Touring Program	$ 110,000	$ 110,000	$ 96,000
Arts Smarts	150,000	150,000	90,000
Visiting Artists' Program	70,000	70,000	37,248
Private Sector Support Project	-	-	34,050
Winterset Award	13,000	13,000	13,000
Arts awards	7,500	7,500	5,000
HRDC - Summer Career Placement Program	-	-	2,495
Rhonda Payne Award	500	500	500
Larry Jackson Award	500	500	-
	$ 351,500	$ 351,500	$ 278,293

9. Expenses - Projects

	2010 Actual	2010 Budget	2009 Actual
Arts awards	$ 62,202	$ 56,000	$ 59,923
Arts Smarts	161,824	165,000	119,917
HRDC - Summer Career Placement Program	-	-	2,495
Larry Jackson Award	500	500	-
Private Sector Support Project	-	-	34,050
Rhonda Payne Award	500	500	500
School Touring Program	116,288	117,000	106,508
Visiting Artists' Program	70,414	70,000	52,257
Winterset Award	13,346	13,000	13,000
Youth Ventures Award	500	500	500
	$ 425,574	$ 422,500	$ 389,150

10. Operating expenses

	2010 Actual	2010 Budget	2009 Actual
Advertising	$ 4,928	$ 5,000	$ 4,836
Amortization expense	3,657	3,657	3,657
Labrador Initiative	110,033	152,663	89,588
Miscellaneous	8,857	10,693	6,750
Office and postage	9,453	12,043	11,710
Professional services	2,600	2,600	2,600
Project evaluating fees	15,739	15,000	11,935
Salaries and employee benefits	421,904	388,500	341,718
Telephone	5,360	6,000	5,319
Travel and Council meetings	36,766	37,000	40,121
Website	10,552	10,000	6,674
	$ 629,849	$ 643,156	$ 524,908

11. Related party transaction

The Council leases office space from the Province of Newfoundland and Labrador at an annual rate of $1.

12. Pensions

Council staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Council and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 2010 was $22,697 (2009 - $21,134).

13. Economic dependence

As a result of the Council's reliance on Provincial funding, the Council's ability to continue viable operations is dependent upon the decisions of the Province.

14. Financial instruments

The Council's financial instruments recognized on the balance sheet consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, and obligation under capital lease. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

15. Income taxes

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Grant Thornton

Financial Statements

Newfoundland and Labrador Centre for Health Information

March 31, 2011

Grant Thornton

Independent auditors' report

Grant Thornton LLP
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To the Directors of

Newfoundland and Labrador Centre for Health Information

We have audited the accompanying financial statements of the Newfoundland and Labrador Centre for Health Information, which comprise the statement of changes in net assets as at March 31, 2011, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Centre for Health Information, as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

St. John's, Newfoundland and Labrador

June 15, 2011

Chartered Accountants

Newfoundland and Labrador Centre for Health Information

Statements of Operations and Changes in Net Assets

Year Ended March 31	2011	(Note 11) 2010
Revenue		
Government operating grants	$ 17,249,960	$ 13,137,780
Canada Health Infoway	4,678,692	2,163,586
Research funding	782,946	970,075
Government project grants	1,833,092	3,151,482
Interest income	30,481	21,260
	24,575,171	19,444,183
Expenditure		
Advertising	23,349	23,979
Data communications	1,204,521	708,707
Insurance	50,580	42,508
Minor equipment	376,953	1,575,464
Miscellaneous	7,231	9,295
Office supplies	295,018	297,093
Professional fees	62,523	72,639
Project consulting fees	7,107,924	4,023,438
Rent	980,097	911,744
Salaries and benefits	10,502,702	8,666,200
Software maintenance	3,374,176	1,883,629
Telephone	173,444	159,766
Training	182,278	161,017
Travel	234,375	230,667
	24,575,171	18,766,146
Surplus on operations before non-cash items	-	678,037
Amortization of deferred capital contributions	(2,274,295)	(874,055)
Depreciation	2,706,646	1,347,185
Accrued severance pay	75,566	319,362
	507,917	792,492
Excess of expenditure over revenue	$ (507,917)	$ (114,455)

Net assets, beginning of year	$ 1,030,716	$ 1,145,171
Excess of expenditure over revenue	(507,917)	(114,455)
Net assets, end of year	$ 522,799	$ 1,030,716

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Financial Position

March 31	2011	2010
Assets		
Current		
Cash and cash equivalents	$ 3,148,014	$ 816,558
Receivables (Note 5)	7,405,071	7,049,484
Prepaids	1,097,143	1,132,323
Deferred project costs	3,204,500	4,610,316
	14,854,728	13,608,681
Property and equipment (Note 6)	18,206,369	17,168,205
	$ 33,061,097	$ 30,776,886
Liabilities		
Current		
Payables and accruals (Note 7)	$ 5,057,788	$ 5,380,319
Deferred revenue	7,655,406	9,833,950
	12,713,194	15,214,269
Deferred capital contributions (Note 8)	18,983,930	13,719,541
Accrued severance pay	841,174	812,360
	32,538,298	29,746,170
Net Assets		
Net assets	522,799	1,030,716
	$ 33,061,097	$ 30,776,886

Commitments (Note 10)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Newfoundland and Labrador Centre for Health Information

Statement of Cash Flows

Year Ended March 31	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of expenditure over revenue	$ (507,917)	$ (114,455)
Items not requiring a cash outlay		
Depreciation	2,706,646	1,347,185
Amortization of deferred capital contributions	(2,274,295)	(874,055)
Increase in severance pay accrual (net)	28,814	232,284
	(46,752)	590,959
Change in non-cash operating working capital (Note 9)	(1,415,666)	(5,422,058)
	(1,462,418)	(4,831,099)
Financing		
Capital contributions	7,538,683	5,286,614
Investing		
Purchase of capital assets	(3,744,809)	(4,103,150)
Proceeds on sale of capital assets	-	7,000
	(3,744,809)	(4,096,150)
Increase (decrease) in cash and cash equivalents	2,331,456	(3,640,635)
Cash and cash equivalents		
Beginning of year	816,558	4,457,193
End of year	$ 3,148,014	$ 816,558

See accompanying notes to the financial statements.

1. Nature of operations

The Newfoundland and Labrador Centre for Health Information (the Centre) was established by the Government of Newfoundland and Labrador in 1996 following the recommendation of the Health System Information Task Force (1995). Through the support of the provincial government and Canada Health Infoway Inc., the Centre has been recognized for its contribution to the national agenda for development of the Electronic Health Record with the first provincial client registry designed and implemented for the Electronic Health Record. The Centre is also involved with data standards development and dissemination, applied health research and the evaluation of health information systems.

The Newfoundland and Labrador Centre for Health Information Act was proclaimed on April 27, 2007, thereby establishing the Centre as a Corporation without share capital under the Corporations Act. The Centre now acts as an agent of the Crown.

2. Summary of significant accounting policies

These financial statements have been prepared within the framework of Canadian generally accepted accounting principles, the more significant of which are as follows:

Basis of accounting

These financial statements include only the assets, liabilities, revenues and expenditures relating to the operations carried on under the name of Newfoundland and Labrador Centre for Health Information.

Use of estimates

In preparing the Centre's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

2. Summary of significant accounting policies (cont'd.)

Revenue recognition

Government grants are recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue. Revenue from research and other contracts is recognized as the related expenditures are incurred. Interest income is recognized as it is earned.

Depreciation

Rates and basis of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Computer equipment	20%, straight line
Office furniture	15%, straight line
Computer software	33%, straight line
Leasehold improvements	10%, straight line
Pharmacy Network	10%, straight line

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Capital contributions

Capital contributions are recorded as deferred contributions and are amortized to income on a straight line basis using the same rates as the depreciation expense related to the capital assets purchased.

Deferred project costs

Project costs are deferred as incurred until the same period in which the related revenue can be recognized as per the terms of the project contract.

2. Summary of significant accounting policies (cont'd.)

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service, and accordingly no provision has been made in accounts for employees with less than nine years of continual service. Severance pay is payable when the employee ceases employment with the Centre.

Pension costs

Employees of the Centre are covered by the Public Service Pension Plan administered by the Government of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Centre. The annual contributions for pensions are recognized in the accounts on a current basis. Total pension expense for the Centre in the year was $652,837 (2010 – $546,242).

Financial instruments

The CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", requires the Organization to revalue all of its financial assets and liabilities at fair value on the initial date of implementation.

This standard also requires the Centre to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in excess of revenue over expenditure; b) held to maturity – recorded at amortized cost with gains and losses recognized in excess of revenue over expenditure in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net assets for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in excess of revenue over expenditure in the period that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in excess of revenue over expenditure and b) other – measured at amortized cost with gains and losses recognized in excess of revenue over expenditure in the period that the liability is no longer recognized.

Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

2. Summary of significant accounting policies (cont'd.)

In accordance with this standard, the Centre's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other liabilities	Amortized cost

Other balance sheet accounts, such as prepaids, deferred project costs, property and equipment, deferred capital contributions and deferred revenue are not within the scope of these accounting standards as they are not financial instruments.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. The Centre does not currently have any significant embedded derivatives in its contracts that require separate accounting treatment.

The fair value of a financial instrument is the estimated amount that the Centre would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair value of cash and cash equivalents approximated its carrying value.

3. Financial risk management

The Centre's policy for managing significant risks includes a comprehensive infrastructure of policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks managed by the Centre include liquidity and credit risks.

Liquidity risk

Liquidity risk is the risk that the Centre will be unable to meet its contractual obligations and financial liabilities. The Centre manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Centre's credit risk is attributable to receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

4. Capital management

The capital structure of the Centre consists of net assets. The primary objective of the Centre's capital management is to ensure adequate funding for efficient operations.

The net assets are available for future operations and are preserved so the Centre can have financial flexibility in the future.

5. Receivables

	2011	2010
Government of Newfoundland and Labrador	$ 1,473,878	$ 4,562,211
Canada Health Infoway	5,449,280	1,243,517
Harmonized sales tax	-	520,391
Other	481,913	723,365
	$ 7,405,071	$ 7,049,484

6. Property and equipment

			2011	2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computer equipment	$ 7,928,466	$ 2,427,434	$ 5,501,032	$ 4,110,290
Office furniture	342,845	152,104	190,741	182,256
Computer software	3,007,835	2,133,244	874,591	743,374
Leasehold improvements	223,821	40,203	183,618	197,804
Pharmacy network	13,276,629	1,820,242	11,456,387	11,934,481
	$ 24,779,596	$ 6,573,227	$ 18,206,369	$ 17,168,205

During the year, the Centre purchased $3,744,809 of capital assets. As of year end $479,559 (2010 - $4,273,260) of unfunded additions remain from prior years.

7. Payables and accruals

	2011	2010
Trade and sundry	$ 3,514,816	$ 4,415,461
Harmonized sales tax	461,618	-
Vacation and compensatory pay	1,081,354	964,858
	$ 5,057,788	$ 5,380,319

8. Deferred capital contributions

	2011	2010
Opening balance	$ 13,719,541	$ 9,306,981
Capital contributions from Government	2,936,350	3,512,447
Capital contribution from Canada Health Infoway	4,602,334	1,774,168
Amortization of deferred capital contribution	(2,274,295)	(874,055)
	$ 18,983,930	$ 13,719,541

9. Supplemental cash flow information

Change in non-cash operating working capital

	2011	2010
Receivables	$ (355,587)	$ 334,453
Prepaids	35,180	(310,779)
Deferred project costs	1,405,816	(1,645,754)
Payables and accruals	(322,531)	664,648
Deferred revenue	(2,178,544)	(4,464,626)
	$ (1,415,666)	$ (5,422,058)

10. Commitments

Under the terms of several long-term contracts related to the rental of office space, equipment lease and software fees, the Centre is committed to make the approximate lease payments for the next five years as follows:

2012	$ 4,360,585
2013	$ 4,432,595
2014	$ 4,246,071
2015	$ 3,119,901
2016	$ 3,174,276

11. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
FINANCIAL STATEMENTS
31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Crop Insurance Agency
Corner Brook, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund which comprise the statement of financial position as at 31 March 2011, and the statement of revenues, expenses and deficit for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Crop Insurance Agency, Newfoundland and Labrador Crop Insurance Fund as at 31 March 2011, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
28 June 2011

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF FINANCIAL POSITION

31 March	2011	2010
ASSETS		
Current		
Cash	$ 163,823	$ 130,332
Accounts receivable (Note 2)	4,010	1,902
	$ 167,833	$ 132,234
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 3)	$ 3,710	$ 6,591
Equity		
Contributions – Province of Newfoundland and Labrador	280,000	280,000
Deficit	(115,877)	(154,357)
	164,123	125,643
	$ 167,833	$ 132,234

See accompanying notes

Signed on behalf of the Board: C. MacDonald Gerald Wicks

Chair **Member**

NEWFOUNDLAND AND LABRADOR CROP INSURANCE AGENCY
NEWFOUNDLAND AND LABRADOR CROP INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES AND DEFICIT

For the Year Ended 31 March	2011	2010
REVENUES		
Government of Canada (Note 4)	$ 138,726	$ 195,044
Province of Newfoundland and Labrador (Note 4)	92,484	130,029
Premiums from insured persons	53,506	58,351
Conference registration fees	2,230	-
Late payment fees	1,387	-
Appeal administration fee	100	100
	288,433	383,524
EXPENSES		
Administration (Note 5)		
Bank charges	20	17
Board expenses	1,780	1,597
Equipment supplies	-	9,463
Professional services	1,600	2,904
Purchased services	10,771	5,626
Salaries and employee benefits	111,631	190,108
Supplies	10,783	10,903
Transportation and communications	14,366	16,928
	150,951	237,546
Conference expense	2,232	-
Indemnity claims	96,770	72,768
	249,953	310,314
Excess of revenues over expenses	38,480	73,210
Deficit, beginning of year	(154,357)	(227,567)
Deficit, end of year	$ (115,877)	$ (154,357)

See accompanying notes

Authority

The Newfoundland and Labrador Crop Insurance Agency (the Agency) operates under the authority of the *Crop Insurance Act*. The purpose of the Agency is to operate the Newfoundland and Labrador Crop Insurance Fund which provides insurance to farmers of the Province through restricting the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland and Labrador Crop Insurance Fund.

1. Summary of accounting policies

These financial statements have been prepared by the Agency's management in accordance with Canadian generally accepted accounting principles. The Agency does not prepare a statement of cash flows since the changes in cash flows are readily apparent from the other statements.

2. Accounts receivable

	2011	2010
Province of Newfoundland and Labrador	$ 1,620	$ 1,902
Premiums from insured persons	4,530	2,140
	6,150	4,042
Less: allowance for doubtful accounts	2,140	2,140
	$ 4,010	$ 1,902

3. Accounts payable and accrued liabilities

	2011	2010
Indemnity claim payable to insured persons	$ 2,110	$ 5,191
Province of Newfoundland and Labrador	1,600	1,400
	$ 3,710	$ 6,591

4. Premium contributions and administration expenses

Under an agreement with the Government of Canada, the Province of Newfoundland and Labrador recovers 60% of the total government contribution for premiums and eligible administration expenses.

	2011	2010
Government of Canada		
Premiums contributions	$ 48,155	$ 52,516
Payments for administration	90,571	142,528
	$ 138,726	$ 195,044
Province of Newfoundland and Labrador		
Premiums contributions	$ 32,104	$ 35,011
Payments for administration	60,380	95,018
	$ 92,484	$ 130,029

5. Payments on behalf of the Agency for administration

Agency staff are employees of the Department of Natural Resources. Excluding bank charges, salaries and other costs of $150,931 (2010 - $237,529) applicable to the operation of the Agency have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payments made by the Province and the Government of Canada.

6. Economic dependence

As a result of the Agency's reliance on provincial funding to meet its operating costs, the Agency's ability to continue viable operations is dependent upon continued funding from the Province.

7. Financial instruments

The Agency's financial instruments recognized on the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable has been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

8. Income taxes

The Agency is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2010

Pinsent & Associates

Certified General Accountants
P.O. Box 8411, Station A
St. John's, NL A1B 3N7

Tel: (709) 738-5300
Fax: (709) 738-5301
email: info@pinsent.ca

AUDITORS' REPORT

To the Directors of Newfoundland and Labrador Film Development Corporation

We have audited the statement of financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 2010 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Pinsent & Associates
CERTIFIED GENERAL ACCOUNTANTS

St. John's, Newfoundland and Labrador
July 23, 2010

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenue and Expenditures

Year Ended March 31, 2010

	2010	2009
REVENUE	$ **700,000**	$ 585,000
EXPENDITURES		
Advertising and promotion	**33,552**	29,361
Amortization	**3,929**	4,990
Miscellaneous	**4,474**	1,491
Office *(Note 6)*	**75,583**	87,620
Promotional materials and publications	**9,618**	10,445
Sponsorships	**103,468**	62,193
Professional fees	**11,077**	8,802
Salaries and wages	**320,865**	316,280
Professional development	**17,024**	13,391
Travel	**88,251**	77,047
	667,841	611,620
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	**32,159**	(26,620)
OTHER INCOME	**3,087**	14,566
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	$ **35,246**	$ (12,054)

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	$ 288,106	$ 295,768
Receivables	5,479	4,419
Prepaid expenses	9,384	8,517
	302,969	308,704
PROPERTY, PLANT AND EQUIPMENT *(Note 3)*	7,620	9,818
	$ 310,589	$ 318,522
LIABILITIES AND NET ASSETS		
CURRENT		
Payables and accruals	$ 32,678	$ 31,780
Current portion of obligations under capital lease *(Note 4)*	-	375
Payables and accruals - Equity Investment Program	222,711	184,138
	255,389	216,293
NET ASSETS		
Share capital *(Note 5)*	3	3
Operations fund	23,538	(11,708)
Equity investment	31,659	113,934
	55,200	102,229
	$ 310,589	$ 318,522

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2010

	Operations Fund	Equity Investment	**2010**	2009
NET ASSETS - BEGINNING OF YEAR	$ (11,708)	$ 113,934	$ **102,226**	$ 143,149
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) - Schedule of Receipts and Commitments	-	(82,275)	**(82,275)**	(28,869)
Excess of revenue over expenditures	35,246	-	**35,246**	(12,054)
NET ASSETS - END OF YEAR	$ 23,538	$ 31,659	$ **55,197**	$ 102,226

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended March 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ **35,246**	$ (12,054)
Items not affecting cash:		
Amortization of property, plant and equipment	**3,929**	4,990
Excess of receipts over commitments (commitments over receipts)	**(82,275)**	(28,869)
	(43,100)	(35,933)
Changes in non-cash working capital:		
Receivables	**(1,060)**	10,081
Payables and accruals	**898**	2,643
Prepaid expenses	**(867)**	(2,841)
Payables and accruals - Equity Investment Program	**38,573**	(417,799)
	37,544	(407,916)
Cash flow used by operating activities	**(5,556)**	(443,849)
INVESTING ACTIVITY		
Purchase of property, plant and equipment	**(1,731)**	(3,759)
Cash flow used by investing activity	**(1,731)**	(3,759)
FINANCING ACTIVITY		
Repayment of obligations under capital lease	**(375)**	(2,217)
Cash flow used by financing activity	**(375)**	(2,217)
DECREASE IN CASH FLOW	**(7,662)**	(449,825)
Cash - beginning of year	**295,768**	745,593
CASH - END OF YEAR	$ **288,106**	$ 295,768
CASH CONSISTS OF:		
Cash	$ **288,106**	$ 295,768

1. DESCRIPTION OF BUSINESS

The Corporation is incorporated under the Newfoundland and Labrador Corporations Act. Its primary purpose is to promote the development of, and to stimulate employment and investment in, the Provincial film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to administer the Newfoundland and Labrador Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

The Corporation is exempt from paying income taxes under Section 149 of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

International Financial Reporting Standards (IFRS)

Newfoundland and Labrador Film Development Corporation prepares its financial statements in accordance with Canadian GAAP as defined by Canada's Accounting Standards Board (AcSB). The AcSB has announced its intention to converge Canadian GAAP with international financial reporting standards (IFRS). Effective April 1, 2011, as a Canadian publicly accountable enterprise, the company will be required to apply IFRS as the basis for financial reporting for interim and year end financial statements. This change is part of a worldwide shift to IFRS intended to facilitate global capital flows and to bring greater clarity and consistency to financial reporting in the global marketplace.

The company is monitoring this conversion process and is in the process of establishing an internal conversion project plan.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives using the following rates and methods:

Computer equipment	45%	declining balance method
Furniture and fixtures	20%	declining balance method

The company regularly reviews its property, plant and equipment to eliminate obsolete items.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2010 Net book value**	2009 Net book value
Computer equipment	$ 44,660	$ 40,718	**$ 3,942**	$ 7,168
Furniture and fixtures	19,176	15,498	**3,678**	2,650
	$ 63,836	$ 56,216	**$ 7,620**	$ 9,818

4. OBLIGATIONS UNDER CAPITAL LEASE

	2010	2009
CIT Financial Services - Lease repayable in 36 monthly installments of $188. Repaid during the year.	**$ -**	$ 375
Amounts payable within one year	**-**	(375)
	$ -	$ -

5. SHARE CAPITAL

Authorized:
600 Common voting shares of no par value

	2010	2009
Issued:		
600 Common shares	**$ 3**	$ 3

6. Office

Office expense consists of the following:

	2010	2009
Banking fees Funding	**$ 46**	$ 53
Banking fees Operating	**283**	771
Board meeting expense	**6,799**	5,235
Business tax	**2,091**	2,174
Communications	**14,488**	14,156
Computer maintenance	**1,238**	639
Meeting Supplies	**2,605**	2,690
Office Equipment	**5,190**	4,488
Office Supplies	**4,572**	5,340
Other	**-**	9,225
Postage	**816**	3,389
Printing	**1,410**	1,419
Rent and maintenance	**30,848**	32,155
Travel	**5,194**	5,885
	$ 75,580	$ 87,619

7. EQUITY INVESTMENTS

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundland and Labrador. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as Recoupment as received.

Based on the Corporation's low Recoupment rate, an allowance has been set up to write-off the cumulative equity investment, net of Recoupment.

	2010	2009
Equity Investment	**$ 16,002,723**	$ 12,831,911
Allowance against Equity Investment	**(15,797,731)**	(12,628,601)
Recoupment - Equity Investment	**(204,992)**	(203,310)
	$ -	$ -

8. PROJECT DEVELOPMENT LOANS

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and budget development. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production.

Project development loans are interest free and are to be repaid on the earlier of the first day of principal photography or on the optioning, sale, or transfer of the property to a third party.

An allowance has been set up to write-off the cumulative amount of these development loans.

	2010	2009
Development Loans	**$ 2,484,950**	$ 2,259,147
Allowance against development loans	**(2,484,950)**	(2,259,147)
	$ -	$ -

9. COMMITMENTS

The Corporation entered into a three-year rental agreement with Imperial House Inc. commencing June 1, 2009. The monthly lease commitment is $2,260 in year one, $2,320 in year two and $2,380 in year three.

Because of the lead times required to obtain all the resources necessary to complete film and video productions the corporation approves applications for funding which will, on occasion, result in program disbursements in subsequent fiscal periods, pending availability of funds.

As at March 31, 2010, the Corporation was contractually committed to advance funds totaling $96,038 from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds in subsequent years and other terms and conditions outlined in the funding agreements.

	2010
Henge Production and Consulting Ltd. - Hello Mr. Tucker, RU My Father?	$ 8,135
MF Productions Inc. - Mickey's Farm (Season II)	250,000
Morag Loves Company Limited - Love & Savagery Additional	187,000
Odd Sock Films - The Mad & the Bad	5,313
Pope Productions - Ladies Lookout	26,319
Republic Season I Inc. - Republic of Doyle Webisodes	103,046
Rink Rat Productions - Christmas Furey	14,071
Rink Rat Productions - Maudie (Phase III)	17,000
TooTon Films - Monchy Nine	25,200
	$ 636,084

10. ECONOMIC DEPENDENCE

The Corporation is economically dependant on the Provincial government for annual funding.

11. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

12. FINANCIAL INSTRUMENTS

Fair Value

The corporation reports carrying value of cash and cash equivalents, accounts receivable, and accounts payable which approximates its fair value due to the immediate or short term maturity of these instruments.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Schedule of Receipts and Commitments - Equity Investment Program *(Schedule 1)*

Year Ended March 31, 2010

	2010	2009
Receipts		
Province of Newfoundland and Labrador Funding	$ 3,500,000	$ 1,750,000
Recoupment	1,682	152,726
Interest Earned	3,194	12,688
Bank charges	(53)	-
Subtotal	3,504,823	1,915,414
Funding which has lapsed	-	
Fire Crown Productions Inc. - Poets Blazing the Land	-	6,600
	$ 3,504,823	$ 1,922,014
Current year commitments		
Away Films Inc. - Ten Days	$ -	$ 8,800
Best Boy Productions Inc. - A Little Problem with Murder (Phase II)	-	6,217
Best Boy Productions Inc. - Gamblers Never Dire	-	5,208
Best Boy Productions Inc. - A Little Problem with Murder (Phase III)	14,149	5,000
Best Boy Productions Inc. - Eve Kelly's Great Big All In Adventure	12,012	-
Blue Pinion Films Inc. - Sweet Pickle	-	16,990
Crackie Productions Inc. - Crackie	12,000	-
Edge of the Earth Productions Inc. - The Wessex Connection	-	12,700
Elemental Pictures Inc. - Quiet at Dawn	-	20,151
Factory Lane Productions Inc. - Restoration Race	-	4,158
Edge of the Earth Productions - Clickedy Clack	4,950	-
Factory Lane Productions Inc. - Shaun`s Green Dream	-	3,630
Fire Crown Productions Inc. - Poets Blazing the Land	6,600	-
Fire Crown Productions Inc. - Sights Before Christmas (Phase II)	-	4,950
From Here Productions Inc. - Weigh In	-	11,400
Futuristic Films Ltd. - Screamers 2	-	250,000
Get Set Films Inc. - Little Summer Forever	-	4,000
Get Set for Films Inc. - Little Summer Forever (phase II)	6,699	-
Get Set Films Inc. - Man of A Thousand Songs	-	60,000
Get Set for Films Inc. - Eleanor	3,465	-
HD Productions Inc. - The Horse	132,000	132,000
Henge Productions and Consulting Ltd. - Cranky	-	13,035
Henge Productions and Consulting Ltd. - Where`s My Goat?	91,228	12,262
Kickham East Productions Inc. - Crackie	-	212,000
Kickham East Productions Inc. - Dry Swallow	-	10,585
Kickham East Productions Inc. - Friendship (Phase III)	13,398	-
Mad Mummer Productions Inc. - Snarbuckled	21,465	-
Media Connections Inc. - The Real Matriarch	-	19,700
Media Connections Inc. - Vocation	9,100	-
MF Productions Inc. - Mickey	182,000	182,000
MF Productions Inc. - Mickey (Season II)	250,000	-
Morag Loves Company Limited - Karma Chameleon	-	11,759
Morag Loves Cold Inc. - Growing Up Cold	88,499	-
Morag Loves Company Limited - Marg The Movie	-	22,146
Morag Loves Company Limited - Project Restoration	18,000	-
Morag Loves Forget It Inc. - Forget It!	93,985	-
Morag Loves Love and Savagery Inc. - Love and Savagery	-	475,000

Morag Loves Rowdy Inc. - Not so Rowdy	**133,133**	10,000
More Life Films Inc. - Death Bound	**28,000**	-
Movie Star Productions Inc. - Grown Up Movie Star	**225,000**	-
Newfound Films - Heartless Disappearance into Labrador Seas	**-**	5,940
Newfound Films Inc. - The King Hunt (Phase II)	**-**	10,000
Newfound Films Inc. - Three Dogs Barking	**-**	2,500
Old Sock Films Inc. - Mum's the Word	**-**	13,824
Olympic Program	**7,500**	-
Pearl Productions Inc. - Colony of Unrequited Dreams	**-**	11,400
Pearl Productions Inc. - Relative happiness	**6,000**	-
Pope Productions Inc. - Cannibal Kill	**10,000**	-
Pope Productions Inc. - Come Thou Tortoise	**10,000**	-
Pope Productions Inc. - Newfoundland Beatdown (Phase II)	**6,555**	-
Pope Productions Inc. - Fortune Harbour	**-**	9,900
Pope Productions Inc. - To Have and to Hold	**-**	17,452
Republic of Doyle Pilot Productions Inc. - Republic of Doyle	**-**	254,661
Republic Season 1 Inc. - Republic of Doyle - Season 1	**1,500,000**	-
Rink Rat Productions Inc. - Don't Ask	**-**	6,392
Rink Rat Productions Inc. - Maudie (Phase II)	**-**	11,824
Rink Rat Productions Inc. - Risk	**-**	10,064
Rink Rat Productions Inc. - Searching for Peter Kerrivan	**11,471**	-
Rock Island Productions Inc. - Hold Fast	**19,381**	-
Rock Island Productions Inc. - An Audience of Chairs Phase II	**-**	5,347
Same Haircut Productions Inc. - Four Sisters	**20,835**	-
Skinny Dip Inc. - The Skinny Dip - Series	**240,000**	-
Soccer Shrines Inc. - Soccer Shrines	**350,000**	-
Springwater Productions Inc. - Breaking Ground III	**-**	33,450
Springwater Productions Inc. - In For a Penny - Reflections on Confederation with Canada	**-**	7,593
Springwater Productions Inc. - Sixty Reasons	**12,907**	-
Springwater Productions Inc. - Vokey's Boat is Painted Green	**11,266**	-
Stonefree Productions Ltd. - Figgy Duff Reunion	**-**	15,065
Take Hold Films Inc. - Exit Zero	**-**	4,950
Tooton Films Inc. - Tooton's: A History of Photography in Newfoundland	**-**	16,830
Tooton Films Inc. - Tooton's: A History of Photography in Newfoundland (Phase II)	**16,500**	-
VanGO Productions Inc. - Cardboard Junction	**19,000**	-
	$ 3,587,098	$ 1,950,883
Excess of receipts over commitments (commitments over receipts)	**$ (82,275)**	$ (28,869)
Opening Balance	**113,934**	142,803
	$ 31,659	$ 113,934

NEWFOUNDLAND AND LABRADOR
FILM DEVELOPMENT CORPORATION

Financial Statements

Year Ended March 31, 2011

Pinsent & Associates

Certified General Accountants
P.O. Box 8411, Station A
St. John's, NL A1B 3N7

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AUDITORS' REPORT

To the Directors of Newfoundland and Labrador Film Development Corporation

We have audited the statement of financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 2011 and the statements of revenue and expenditures - operating fund, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, those financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador
July 8, 2011

Pinsent & Associates
CERTIFIED GENERAL ACCOUNTANTS

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Revenue and Expenditures - Operating Fund

Year Ended March 31, 2011

		2011		2010
REVENUE	$	710,000	$	700,000
EXPENDITURES				
Advertising and promotion		34,940		33,552
Amortization		2,510		3,929
Miscellaneous		4,426		4,474
Office *(Note 5)*		77,312		75,583
Professional development		12,766		17,024
Professional fees		11,600		11,077
Promotional materials and publications		10,278		9,618
Salaries and wages		381,106		320,865
Sponsorships		99,587		103,468
Travel		96,065		88,251
		730,590		667,841
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS		(20,590)		32,159
OTHER INCOME		1,507		3,087
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	$	(19,083)	$	35,246

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Financial Position

March 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	$ 252,730	$ 288,106
Receivables	4,224	5,479
Prepaid expenses	8,833	9,384
	265,787	302,969
PROPERTY, PLANT AND EQUIPMENT *(Note 3)*	5,110	7,620
	$ 270,897	$ 310,589
LIABILITIES AND NET ASSETS		
CURRENT		
Payables and accruals	$ 26,426	$ 32,678
Payables and accruals - Equity Investment Program	217,485	222,711
	243,911	255,389
NET ASSETS		
Share capital *(Note 4)*	3	3
Operations fund	4,455	23,538
Equity investment	22,528	31,659
	26,986	55,200
	$ 270,897	$ 310,589

ON BEHALF OF THE BOARD

_______________ *Director*

_______________ *Director*

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Changes in Net Assets

Year Ended March 31, 2011

	Operations Fund	Equity Investment	2011	2010
NET ASSETS - BEGINNING OF YEAR	$ 23,538	$ 31,659	$ 55,197	$ 102,226
Excess of receipts over commitments (commitments over receipts) - Equity Investment Program (EIP) - Schedule of Receipts and Commitments	-	(9,131)	(9,131)	(82,275)
Deficiency of revenue over expenditures	(19,083)	-	(19,083)	35,246
NET ASSETS - END OF YEAR	$ 4,455	$ 22,528	$ 26,983	$ 55,197

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended March 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ (19,083)	$ 35,246
Items not affecting cash:		
Amortization of property, plant and equipment	2,510	3,929
Excess of receipts over commitments (commitments over receipts)	(9,131)	(82,275)
	(25,704)	(43,100)
Changes in non-cash working capital:		
Receivables	1,255	(1,060)
Payables and accruals	(6,252)	898
Prepaid expenses	551	(867)
Payables and accruals - Equity Investment Program	(5,226)	38,573
	(9,672)	37,544
Cash flow used by operating activities	(35,376)	(5,556)
INVESTING ACTIVITY		
Purchase of property, plant and equipment	-	(1,731)
Cash flow used by investing activity	-	(1,731)
FINANCING ACTIVITY		
Repayment of obligations under capital lease	-	(375)
Cash flow used by financing activity	-	(375)
DECREASE IN CASH FLOW	(35,376)	(7,662)
Cash - beginning of year	288,106	295,768
CASH - END OF YEAR	$ 252,730	$ 288,106

1. DESCRIPTION OF BUSINESS

The Corporation is incorporated under the Newfoundland and Labrador Corporations Act. Its primary purpose is to promote the development of, and to stimulate employment and investment in, the Provincial film and video industry by providing financial and other assistance.

The Corporation has been designated by the Province's Finance Minister to administer the Newfoundland and Labrador Film Tax Credit Program, including registration of productions, review of tax credit applications and recommendations to the Department of Finance.

The Corporation is exempt from paying income taxes under Section 149 of the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective for the company. The company is currently evaluating the effect of adopting these standards, which it expects to do in fiscal year 2012.

The Accounting Standards Board will be implementing Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2011. The company will be assessing the impact of the new standards on its financial statements over the next year. Early adoption is permitted for the new standards.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives using the following rates and methods:

Computer equipment	45%	declining balance method
Furniture and fixtures	20%	declining balance method

The company regularly reviews its property, plant and equipment to eliminate obsolete items.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Computer equipment	$ 44,660	$ 42,492	$ 2,168	$ 3,942
Furniture and fixtures	19,176	16,234	2,942	3,678
	$ 63,836	$ 58,726	$ 5,110	$ 7,620

4. SHARE CAPITAL

Authorized:
600 Common voting shares of no par value

	2011	2010
Issued:		
600 Common shares	$ 3	$ 3

5. Office

Office expense consists of the following:

	2011	2010
Banking fees Funding	$ 50	$ 46
Banking fees Operating	920	283
Board meeting expense	5,742	6,799
Business tax	1,804	2,091
Communications	17,426	14,488
Computer maintenance	269	1,238
Meeting Supplies	2,616	2,605
Office Equipment	5,044	5,190
Office Supplies	3,600	4,572
Postage	823	816
Printing	1,922	1,410
Rent and maintenance	31,526	30,848
Travel	5,571	5,194
	$ 77,313	$ 75,580

6. EQUITY INVESTMENTS

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefits to Newfoundland and Labrador. Equity investments are made with the condition of repayment through participation in revenue generated by projects. Revenue is recorded as Recoupment as received.

Based on the Corporation's low Recoupment rate, an allowance has been set up to write-off the cumulative equity investment, net of Recoupment.

	2011	2010
Equity Investment	$ 19,168,191	$ 16,002,723
Allowance against Equity Investment	(18,955,619)	(15,797,731)
Recoupment - Equity Investment	(212,572)	(204,992)
	$ -	$ -

7. PROJECT DEVELOPMENT LOANS

The Corporation provides loans to qualified applicants to support the process of film and video development that takes an idea through the stages of research, writing, market analysis and budget development. This work must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production.

Project development loans are interest free and are to be repaid on the earlier of the first day of principal photography or on the optioning, sale, or transfer of the property to a third party.

An allowance has been set up to write-off the cumulative amount of these development loans.

	2011	2010
Development Loans	$ 2,810,672	$ 2,484,950
Allowance against development loans	(2,810,672)	(2,484,950)
	$ -	$ -

8. COMMITMENTS

The Corporation entered into a three-year rental agreement with Imperial House Inc. commencing June 1, 2009. The monthly lease commitment is $2,260 in year one, $2,320 in year two and $2,380 in year three.

The Corporation entered into a rental agreement with CIT Financial Ltd. commencing July 1, 2009 for the use of 1 Kyocera Copier. The monthly lease commitment is $181.40 for 48 months.

Because of the lead times required to obtain all the resources necessary to complete film and video productions the corporation approves applications for funding which will, on occasion, result in program disbursements in subsequent fiscal periods, pending availability of funds.

As at March 31, 2011, the Corporation was contractually committed to advance funds totaling $1,321,848 from the Equity Investment Program as investments and loans in respect of current and future projects subject to the availability of funds in subsequent years and other terms and conditions outlined in the funding agreements.

	2011
Burlington Season I Inc. - Majumder Manor	$ 200,000
MF Productions Inc. - Mickey Series III	360,850
Pet ER Inc. - Pet ER	100,000
Morag Loves Company Limited - The Grand Seduction	600,000
More Life Films Inc. - Doom Show	18,315
Orange House Film Inc. - Postal	10,000
Rock Island Productions Inc. - Holdfast Phase III	9,000
Pope Productions Ltd. - Oddly Flowers Part II	23,683
	$ 1,321,848

9. ECONOMIC DEPENDENCE

The Corporation is economically dependant on the Government of Newfoundland and Labrador for annual funding.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

11. FINANCIAL INSTRUMENTS

Fair Value

The corporation reports carrying value of cash and cash equivalents, accounts receivable, and accounts payable which approximates its fair value due to the immediate or short term maturity of these instruments.

NEWFOUNDLAND AND LABRADOR FILM DEVELOPMENT CORPORATION

Schedule of Receipts and Commitments - Equity Investment Program *(Schedule 1)*

Year Ended March 31, 2011

	2011	2010
Receipts		
Province of Newfoundland and Labrador Funding	$ 3,500,000	$ 3,500,000
Recoupment	7,580	1,682
Interest Earned	779	3,194
Bank charges	(73)	(53)
Subtotal	3,508,286	3,504,823
Funding which has lapsed	-	
More Life Films Inc. - Death Bound	28,000	-
	$ 3,536,286	$ 3,504,823
Current year commitments		
2M Innovative Inc. - Christmas Furey	$ 16,695	$ -
Best Boy Productions Inc. - A Little Problem with Murder (Phase III)	-	14,149
Best Boy Productions Inc. - Eve Kelly's Great Big All In Adventure	-	12,012
Best Boy Productions Inc. - Gamblers Never Die (Phase II)	5,040	-
Beazley Films Inc. - City of Arseholes	10,000	-
Burlington Season I Inc. - Majumder Manor	82,000	-
Crackie Productions Inc. - Crackie	-	12,000
Edge of the Earth Productions Inc. - Clickedy Clack	-	4,950
Energy Media Inc. - The Energy Show	79,150	-
Fire Crown Productions Inc. - Poets Blazing the Land	-	6,600
Free Parking Pictures Inc. - Meters	17,820	-
Get Set Films Inc. - Little Summer Forever (phase II)	-	6,699
Get Set Films Inc. - Eleanor	-	3,465
Get Set Films Inc. - Not Over Easy	18,500	-
Good Lookin Pictures Inc. - Clipper Gold	16,345	-
HD Productions Inc. - The Horse	-	132,000
Henge Productions and Consulting Ltd. - Ice Flow	10,000	-
Henge Productions and Consulting Ltd. - Regrets	19,800	-
Henge Productions and Consulting Ltd. - Where`s My Goat?	-	91,228
Jim Byrd Consulting Inc. - Caubvick	3,465	-
Kickham East Productions Inc. - Friendship (Phase III)	9,332	13,398
Kickham East Productions Inc. - Sorry Means Never	8,750	-
Lazy Bank Productions Inc. - Elizabeth's Last Stand	9,643	-
Mad Mummer Productions Inc. - Snarbuckled	-	21,465
Media Connections Inc. - Vocation	-	9,100
MF Productions Inc. - Mickey	-	182,000
MF Productions Inc. - Mickey (Season II)	250,000	250,000
MF Productions Inc. - Mickey Series III	150,000	-
Morag Loves Cold Inc. - Growing Up Cold	-	88,499
Morag Loves Company Limited - Marg The Movie	6,307	-
Morag Loves Company Limited - Project Restoration	-	18,000
Morag Loves Company Limited - Surfing in Newfoundland	5,000	-
Morag Loves Forget It Inc. - Forget It!	-	93,985
Morag Loves Love and Savagery Inc. - Love and Savagery	187,000	-
Morag Loves Rowdy Inc. - Not so Rowdy	-	133,133
Morag Loves Tapestry Inc. - La Tapestry French Shore	67,029	-
More Life Films Inc. - Death Bound	-	28,000
Movie Star Productions Inc. - Grown Up Movie Star	-	225,000
Newfound Films Inc. - Deep Cuts	9,000	-

Odd Sock Films Inc. - The Mad & the Bad	5,313	-
Odd Sock Films Inc. - Four Sisters	10,000	-
Odd Sock Films Inc. - Don Jamieson: Just Himself	35,998	-
Olympic Program	-	7,500
Pearl Productions Inc. - Relative happiness	-	6,000
Pet ER Inc. - Pet ER	700,000	-
Pope Productions Ltd. - Cannibal Kill	-	10,000
Pope Productions Ltd. - Come Thou Tortoise	-	10,000
Pope Productions Ltd. - Culture of Character aka Break Boys	7,346	-
Pope Productions Ltd. - Larkspur	10,000	-
Pope Productions Ltd. - Newfoundland Beatdown (Phase II)	-	6,555
Republic Season I Inc. - Republic of Doyle - Season I	-	1,500,000
Republic Season II Inc. - Republic of Doyle - Season II	1,500,000	-
Republic Season I Inc. - Republic of Doyle Webisodes	103,046	-
Rink Rat Productions Inc. - Maudie (Phase III)	13,500	-
Rink Rat Productions Inc. - Monchy Nine	25,200	-
Rink Rat Productions Inc. - To Serve and Protect	11,657	-
Rink Rat Productions Inc. - How to be Deadly	13,100	-
Rink Rat Productions Inc. - Regarding our Father	42,078	-
Rink Rat Productions Inc. - Legend of Donnie Dunphy	10,000	-
Rink Rat Productions Inc. - Searching for Peter Kerrivan	-	11,471
Rock Island Productions Inc. - Hold Fast	-	19,381
Rock Island Productions Inc. - Auntie Vigilantes	15,319	-
Rock Island Productions - Hold Fast Phase II	6,025	-
Same Haircut Productions Inc. - Four Sisters	-	20,835
Skinny Dip Inc. - The Skinny Dip - Series	-	240,000
Soccer Shrines Inc. - Soccer Shrines	-	350,000
Springwater Productions Inc. - From the Floor Up	12,000	-
Springwater Productions Inc. - Sixty Reasons	-	12,907
Springwater Productions Inc. - Vokey's Boat is Painted Green	-	11,266
Streely Maid Films Ltd. - Relative happiness	8,700	-
Take Hold Films Inc. - Niemeyr's Brasilia	5,200	-
Tooton Films Inc. - At humour's Edge	12,000	-
Tooton Films Inc. - Tooton's: A History of Photography in Newfoundland (Phase II)	-	16,500
Well Let's Just Say Films Inc. - Kathy	18,059	-
VanGO Productions Inc. - Cardboard Junction	-	19,000
	$ 3,545,417	$ 3,587,098
Excess of receipts over commitments (commitments over receipts)	$ (9,131)	$ (82,275)
Opening Balance	31,659	113,934
	$ 22,528	$ 31,659

NEWFOUNDLAND AND LABRADOR
GOVERNMENT SINKING FUND

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Trustees
Newfoundland and Labrador Government Sinking Fund
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Government Sinking Fund as at 31 March 2010 and the statements of statutory contributions, retained earnings, revenues and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
24 June 2010

STATEMENT 1

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

BALANCE SHEET

31 March	2010	2009
	(000's)	(000's)
ASSETS		
Current		
Cash	$ 39,538	$ 32,346
Term deposits and short-term investments	11,885	-
Interest and other receivables		
Province of Newfoundland and Labrador - guaranteed	9,629	10,497
Other	2,556	2,918
	63,608	45,761
Investments, at amortized cost (Schedule 1)		
Cost	691,880	736,167
Accumulated amortization of discounts and premiums	100,978	94,951
	792,858	831,118
	$ 856,466	$ 876,879
LIABILITIES AND SINKING FUND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 13	$ 11
Due to Province of Newfoundland and Labrador	219	347
	232	358
Sinking fund equity		
Statutory contributions (Statement 2)	487,319	489,231
Retained earnings (Statement 3)	368,915	387,290
	856,234	876,521
	$ 856,466	$ 876,879

See accompanying notes

Signed on behalf of the Board: ______________________ **Chairperson** ______________________ **Member**

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF STATUTORY CONTRIBUTIONS

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
Balance, beginning of year	$ 489,231	$ 408,558
Statutory contributions for the year	51,187	52,967
	540,418	461,525
Statutory contributions applicable to matured/redeemed debentures	(22,350)	-
Foreign currency translation adjustment (Note 2)	(30,749)	27,706
Balance, end of year	$ 487,319	$ 489,231

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
STATEMENT OF RETAINED EARNINGS

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
Balance, beginning of year	**$ 387,290**	$ 318,271
Excess of revenues over expenses	**43,332**	49,643
	430,622	367,914
Retained earnings applicable to matured/redeemed debentures	**(36,329)**	(3,227)
Foreign currency translation adjustment (Note 2)	**(25,378)**	22,603
Balance, end of year	**$ 368,915**	$ 387,290

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF REVENUES AND EXPENSES

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
REVENUES		
Interest income		
Debentures	$ 38,000	$ 33,524
Term deposits and short-term investments	1	1,987
Other	256	211
	38,257	35,722
Foreign currency translation gains (losses) (Note 2)	(5,248)	4,260
Amortization of discounts and premiums	10,568	9,902
	43,577	49,884
EXPENSES		
Salaries and benefits	145	138
General	100	103
	245	241
Excess of revenues over expenses	$ 43,332	$ 49,643

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	$ 43,332	$ 49,643
Adjustment for non-cash items		
Amortization of discounts and premiums	(10,568)	(9,902)
Foreign currency translation (gains) losses (Note 2)	5,248	(4,260)
	38,012	35,481
Change in non-cash working capital	1,104	(2,706)
	39,116	32,775
Cash flows from financing activities		
Statutory contributions	51,187	52,967
	51,187	52,967
Cash flows from investing activities		
Purchase of investments	(64,877)	(166,625)
Proceeds from redemption and sale of investments	54,964	-
Payments of excess to Province upon maturing debentures	(58,679)	(3,227)
	(68,592)	(169,852)
Net (decrease) increase in cash and cash equivalents	21,711	(84,110)
Effect of foreign currency translation adjustment (Note 2)	(2,634)	8,949
Cash and cash equivalents, beginning of year	32,346	107,507
Cash and cash equivalents, end of year	$ 51,423	$ 32,346
Cash and cash equivalents include:		
Cash	$ 39,538	$ 32,346
Term deposits and short-term investments	11,885	-
	$ 51,423	$ 32,346

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
SCHEDULE OF INVESTMENTS

31 March	2010		2009	
	Face Value or Par (000's)	**Amortized Cost (000's)**	Face Value or Par (000's)	Amortized Cost (000's)
Canadian				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	**$ 151,195**	**$ 161,426**	$ 146,544	$ 156,896
Newfoundland and Labrador Municipal Financing Corporation	**19,350**	**19,342**	24,790	24,785
Newfoundland and Labrador Hydro	**30,248**	**35,977**	20,999	24,993
Coupons and residuals	**311,456**	**180,358**	322,890	181,668
	512,249	**397,103**	515,223	388,342
Other securities	**77,667**	**80,111**	94,806	95,933
Other coupons and residuals	**109,570**	**61,600**	71,314	44,171
	699,486	**538,814**	681,343	528,446
U.S.				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	**124,999**	**140,672**	152,864	173,377
Other securities	**81,690**	**98,869**	97,027	118,639
Other coupons and residuals	**24,222**	**14,503**	18,506	10,656
	230,911	**254,044**	268,397	302,672
Total investments	**$ 930,397**	**$ 792,858**	$ 949,740	$ 831,118

See accompanying notes

Authority

The Province of Newfoundland and Labrador issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund. This is an unincorporated body formed under the *Financial Administration Act*. All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

1. Basis of accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are the significant policies followed.

(a) Cash and cash equivalents

Cash and cash equivalents include balances with banks, and term deposits and short-term investments with original maturities of three months or less.

Short-term deposits are recorded at cost which approximates market value because of the short-term nature of the securities.

(b) Investment transactions

(i) Purchases: Investments are initially recorded at cost.

(ii) Amortization: Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.

(iii) Sales: Sales of investments are at a negotiated selling price. Sales are recorded at the proceeds less the investment's average amortized cost, with any resulting gain or loss also recorded.

(iv) Redemptions: On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

1. Basis of accounting (cont.)

(c) Maturity of a Province of Newfoundland and Labrador debenture issue for which a sinking fund has been provided

(i) General

Provision is made for redemption at debenture maturity by investing statutory contributions in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The dollar total of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At maturity, statutory contributions are reduced by the total amount of statutory contributions received over the life of the issue. Retained earnings are reduced by the excess of the debenture's Sinking Fund Value over statutory contributions received.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the issue held in the Fund's investments. If the issue's Sinking Fund Value exceeds the total face value, the excess is paid to the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. If the issue's Sinking Fund Value is less than the total face value, the difference is paid into the redemption bank account by the Province.

(d) Cancellation of Province of Newfoundland and Labrador debentures held by the Sinking Fund upon related sinking fund debentures becoming fully funded

When the value of a sinking fund for a debenture issue equates to the outstanding principal amount of that issue, the Sinking Fund will return to the Province for cancellation any debentures of that issue held by the Sinking Fund. The cancellation of sinking fund assets results in a corresponding reduction in sinking fund equity. Interest income continues to be allocated to the sinking fund until maturity of the related debenture issue and is returned to the Province annually.

(e) Interest income

Interest income is recorded on an accrual basis.

(f) Foreign currency translation

Assets, liabilities, revenues and expenses denominated in U.S. currency are translated as follows:

(i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and

1. Basis of accounting (cont.)

(f) Foreign currency translation (cont.)

(ii) revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

Gains and losses resulting from foreign currency translation are amortized on a straight-line basis over the remaining life of each issue's sinking fund.

2. Effect of foreign currency translation

At 31 March 2010, the Fund held $792,858,000 (2009 - $831,118,000) in investments as shown in Schedule 1. These investments include $254,044,000 in U.S. investments (2009 - $302,672,000).

The Fund assets, liabilities, statutory contributions and retained earnings denominated in U.S. currency are translated at the rate of exchange in effect at the balance sheet date. The Fund's revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such. It is not the intention of the Fund that its U.S. assets will be converted into Canadian dollars.

In 2010, the translation of U.S. assets at year end resulted in a net foreign exchange loss due to a decrease in the value of the U.S. dollar. In 2009, the translation of U.S. assets at year end resulted in a net foreign exchange gain due to an increase in the value of the U.S. dollar. Any gains or losses resulting from foreign currency translations will not become realized until such time that U.S. assets should ever actually be converted to Canadian dollars.

		2010 (000's)		2009 (000's)
The effect of the translation is as follows:				
Statutory contributions have been increased (decreased) by	$	(30,749)	$	27,706
Retained earnings have been increased (decreased) by		(25,378)		22,603
Excess of revenues over expenses has been increased (decreased) by		(5,248)		4,260
Total impact of foreign currency translation		(61,375)		54,569
The effect of this amount on the Fund Assets is as follows:				
Investments have been increased (decreased) by		(58,741)		45,620
Cash and cash equivalents have been increased (decreased) by	$	(2,634)	$	8,949

3. Financial instruments

The Newfoundland and Labrador Government Sinking Fund's short-term financial instruments recognized on the balance sheet consist of cash, term deposits and short-term investments, interest and other receivables, accounts payable and accrued liabilities, and due to Province of Newfoundland and Labrador. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Fund usually holds short-term investments in addition to the long-term investments. However, in 2009, the Fund held no short-term investments due to weakness in the rates available in the market. The cost approximates the face value as these investments are made in term deposits and guaranteed bonds with maturity occurring within 3 months or less after the initial investment. Therefore, their reported value is fair value to the Fund and there is no rate risk associated with these investments.

The Fund holds long-term investments which have an amortized cost of $792,858,000 (2009 - $831,118,000). The face value of these investments is $930,397,000 (2009 - $949,740,000). The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Fund and there is no rate risk associated with these investments.

4. Income taxes

The Newfoundland and Labrador Government Sinking Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR
GOVERNMENT SINKING FUND

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Trustees
Newfoundland and Labrador Government Sinking Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Government Sinking Fund, which comprise the balance sheet as at 31 March 2011 and the statements of statutory contributions, retained earnings, revenues and expenses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Government Sinking Fund as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

30 June 2011
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
BALANCE SHEET

31 March	2011	2010
	(000's)	(000's)
ASSETS		
Current		
Cash	$ 22,268	$ 39,538
Term deposits and short-term investments	6,011	11,885
Interest and other receivables		
Province of Newfoundland and Labrador - guaranteed	9,376	9,629
Other	3,416	2,556
	41,071	63,608
Investments, at amortized cost (Schedule 1)		
Cost	768,799	691,880
Accumulated amortization of discounts and premiums	114,723	100,978
	883,522	792,858
	$ 924,593	$ 856,466
LIABILITIES AND SINKING FUND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 11	$ 13
Due to Province of Newfoundland and Labrador	259	219
	270	232
Sinking fund equity		
Statutory contributions (Statement 2)	525,239	487,319
Retained earnings (Statement 3)	399,084	368,915
	924,323	856,234
	$ 924,593	$ 856,466

See accompanying notes

Signed on behalf of the Board: Chairperson Member

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF STATUTORY CONTRIBUTIONS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
Balance, beginning of year	$ 487,319	$ 489,231
Statutory contributions for the year	48,352	51,187
	535,671	540,418
Statutory contributions applicable to matured/redeemed debentures	(4,311)	(22,350)
Foreign currency translation adjustment (Note 2)	(6,121)	(30,749)
Balance, end of year	$ 525,239	$ 487,319

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF RETAINED EARNINGS

For the Year Ended 31 March	2011 (000's)	2010 (000's)
Balance, beginning of year	**$ 368,915**	$ 387,290
Excess of revenues over expenses	**47,951**	43,332
	416,866	430,622
Retained earnings applicable to matured/redeemed debentures	**(12,016)**	(36,329)
Foreign currency translation adjustment (Note 2)	**(5,766)**	(25,378)
Balance, end of year	**$ 399,084**	$ 368,915

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF REVENUES AND EXPENSES

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
REVENUES		
Interest income		
Debentures	$ 37,072	$ 38,000
Term deposits and short-term investments	34	1
Other	348	256
	37,454	38,257
Foreign currency translation losses (Note 2)	(1,203)	(5,248)
Amortization of discounts and premiums	12,300	10,568
Loss on redemption/sales	(342)	-
	48,209	43,577
EXPENSES		
Salaries and benefits	152	145
General	106	100
	258	245
Excess of revenues over expenses	$ 47,951	$ 43,332

See accompanying notes

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	$ 47,951	$ 43,332
Adjustment for non-cash items		
Amortization of discounts and premiums	(12,300)	(10,568)
Foreign currency translation losses (Note 2)	1,203	5,248
Loss on redemption/sales	342	-
	37,196	38,012
Change in non-cash working capital	(569)	1,104
	36,627	39,116
Cash flows from financing activities		
Statutory contributions	48,352	51,187
Cash flows from investing activities		
Purchase of investments	(100,401)	(64,877)
Proceeds from redemption and sale of investments	-	54,964
Payments of excess to Province upon maturing debentures	(6,065)	(58,679)
	(106,466)	(68,592)
Net (decrease) increase in cash and cash equivalents	(21,487)	21,711
Effect of foreign currency translation adjustment (Note 2)	(1,657)	(2,634)
Cash and cash equivalents, beginning of year	51,423	32,346
Cash and cash equivalents, end of year	$ 28,279	$ 51,423
Cash and cash equivalents include:		
Cash	$ 22,268	$ 39,538
Term deposits and short-term investments	6,011	11,885
	$ 28,279	$ 51,423

SCHEDULE 1

NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND

SCHEDULE OF INVESTMENTS

31 March	2011		2010	
	Face Value or Par (000's)	Amortized Cost (000's)	Face Value or Par (000's)	Amortized Cost (000's)
Canadian				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	$ 143,660	$ 153,106	$ 151,195	$ 161,426
Newfoundland and Labrador Municipal Financing Corporation	19,350	19,346	19,350	19,342
Newfoundland and Labrador Hydro	30,248	35,678	30,248	35,977
Coupons and residuals	311,940	191,488	311,456	180,358
	505,198	399,618	512,249	397,103
Other securities	110,760	115,994	77,667	80,111
Other coupons and residuals	185,963	98,473	109,570	61,600
	801,921	614,085	699,486	538,814
U.S.				
Province of Newfoundland and Labrador - guaranteed				
Province of Newfoundland and Labrador	120,477	134,534	124,999	140,672
Other securities	97,080	120,205	81,690	98,869
Other coupons and residuals	23,121	14,698	24,222	14,503
	240,678	269,437	230,911	254,044
Total investments	$ 1,042,599	$ 883,522	$ 930,397	$ 792,858

See accompanying notes

Authority

The Province of Newfoundland and Labrador issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland and Labrador Government Sinking Fund. This is an unincorporated body formed under the *Financial Administration Act*. All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are the significant policies followed.

(a) Cash and cash equivalents

Cash and cash equivalents include balances with banks, and term deposits and short-term investments with original maturities of three months or less.

Short-term deposits are recorded at cost which approximates market value because of the short-term nature of the securities.

(b) Investment transactions

(i)	Purchases:	Investments are initially recorded at cost.
(ii)	Amortization:	Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.
(iii)	Sales:	Sales of investments are at a negotiated selling price. Sales are recorded at the proceeds less the investment's average amortized cost, with any resulting gain or loss also recorded.
(iv)	Redemptions:	On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

1. Summary of significant accounting policies (cont.)

(c) Maturity of a Province of Newfoundland and Labrador debenture issue for which a sinking fund has been provided

(i) General

Provision is made for redemption at debenture maturity by investing statutory contributions in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The dollar total of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At maturity, statutory contributions are reduced by the total amount of statutory contributions received over the life of the issue. Retained earnings are reduced by the excess of the debenture's Sinking Fund Value over statutory contributions received.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the issue held in the Fund's investments. If the issue's Sinking Fund Value exceeds the total face value, the excess is paid to the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. If the issue's Sinking Fund Value is less than the total face value, the difference is paid into the redemption bank account by the Province.

(d) Cancellation of Province of Newfoundland and Labrador debentures held by the Sinking Fund upon related sinking fund debentures becoming fully funded

When the value of a sinking fund for a debenture issue equates to the outstanding principal amount of that issue, the Sinking Fund will return to the Province for cancellation any debentures of that issue held by the Sinking Fund. The cancellation of sinking fund assets results in a corresponding reduction in sinking fund equity. Interest income continues to be allocated to the sinking fund until maturity of the related debenture issue and is returned to the Province annually.

(e) Interest income

Interest income is recorded on an accrual basis.

(f) Foreign currency translation

Assets, liabilities, revenues and expenses denominated in U.S. currency are translated as follows:

(i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and

1. Summary of significant accounting policies (cont.)

(f) Foreign currency translation (cont.)

(ii) revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

Gains and losses resulting from foreign currency translation are amortized on a straight-line basis over the remaining life of each issue's sinking fund.

2. Effect of foreign currency translation

At 31 March 2011, the Fund held $883,522,000 (2010 - $792,858,000) in investments as shown in Schedule 1. These investments include $269,437,000 in U.S. investments (2010 - $254,044,000).

The Fund assets, liabilities, statutory contributions and retained earnings denominated in U.S. currency are translated at the rate of exchange in effect at the balance sheet date. The Fund's revenues and expenses are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such. It is not the intention of the Fund that its U.S. assets will be converted into Canadian dollars.

In 2011 and 2010, the translation of U.S. assets at year end resulted in a net foreign exchange loss due to a decrease in the value of the U.S. dollar. Any gains or losses resulting from foreign currency translations will not become realized until such time that U.S. assets should ever actually be converted to Canadian dollars.

	2011 (000's)	2010 (000's)
The effect of the translation is as follows:		
Statutory contributions have been decreased by	$ (6,121)	$ (30,749)
Retained earnings have been decreased by	(5,766)	(25,378)
Excess of revenues over expenses has been decreased by	(1,203)	(5,248)
Total impact of foreign currency translation	(13,090)	(61,375)
The effect of this amount on the Fund assets is as follows:		
Investments have been decreased by	(11,433)	(58,741)
Cash and cash equivalents have been decreased by	$ (1,657)	$ (2,634)

3. Financial instruments

The Newfoundland and Labrador Government Sinking Fund's short-term financial instruments recognized on the balance sheet consist of cash, term deposits and short-term investments, interest and other receivables, accounts payable and accrued liabilities, and due to Province of Newfoundland and Labrador. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

The Fund holds long-term investments which have an amortized cost of $883,522,000 (2010 - $792,858,000). The face value of these investments is $1,042,599,000 (2010 - $930,397,000). The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Fund and there is no rate risk associated with these investments.

4. Income taxes

The Newfoundland and Labrador Government Sinking Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR
HOUSING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
Newfoundland and Labrador Housing Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Housing Corporation which comprise the balance sheet as at 31 March 2011 and the statement of revenues, expenses and surplus, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Housing Corporation as at 31 March 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

29 July 2011
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

BALANCE SHEET

31 March	2011	2010
	(000's)	(000's)
ASSETS		
Cash	$ 70,784	$ 61,177
Accounts receivable (Note 2)	8,218	10,231
Due from the Province of Newfoundland and Labrador - Labrador Housing Programs (Note 3)	1,241	2,291
Inventory and prepaid expenses (Note 4)	4,085	3,911
Mortgages and loans receivable (Note 5)	8,578	10,502
Receivable from municipalities re: land transfers (Note 6)	1,264	1,448
Land assemblies (Note 7)	1,322	1,322
Rental properties (Note 8)	185,485	190,167
Capital assets (Note 9)	10,742	11,238
	$ 291,719	$ 292,287
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	$ 16,199	$ 14,594
Deferred revenue (Note 10)	26,016	29,418
Group health and life insurance retirement benefits (Note 11)	16,262	14,768
Capital replacement fund (Note 12)	6,012	6,267
Mortgage insurance fund (Note 13)	3,252	3,252
Mortgages, debentures and similar indebtedness (Note 14)	25,596	24,777
CMHC investment in cost-shared programs (Note 15)	104,469	110,570
	197,806	203,646
Equity		
Contributed capital - Province of Newfoundland and Labrador (Note 16)	62,861	62,861
Surplus	31,052	25,780
	93,913	88,641
	$ 291,719	$ 292,287

Contingent liabilities (Note 17)

Commitments (Note 18)

Signed on behalf of the Board: Len Simms Rhonda M. Neary

Chairperson **Member**

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
REVENUES		
CMHC (Note 20)	$ 68,255	$ 60,052
Province of Newfoundland and Labrador operating grant	61,759	56,570
Rent	19,659	18,797
Interest	5,389	5,482
Other income	1,080	852
Profit from land sales by municipalities	674	317
Land assemblies sales	102	10,759
Gain on sale of rental properties	23	79
	156,941	152,908
EXPENSES		
Administrative expenses (Note 21)	22,975	22,051
CMHC share of interest revenue	402	680
Community based housing operating subsidies	14,395	13,838
Grants to homeowners	32,608	22,332
Interest expense	2,460	2,429
Land assemblies costs (Note 7)	66	6,901
Losses on mortgages, loans and repossessions	17	55
Mortgage subsidies	378	611
Provincial Housing Strategy	605	-
Rental properties expenses (Note 22)	71,273	65,692
Rental properties written off	-	59
Rent supplement subsidies	6,490	5,757
	151,669	140,405
Excess of revenues over expenses	5,272	12,503
Surplus, beginning of year	25,780	13,277
Surplus, end of year	$ 31,052	$ 25,780

See accompanying notes

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
	(000's)	(000's)
Cash flows from operating activities:		
Excess of revenues over expenses	$ 5,272	$ 12,503
Add (deduct) non-cash items:		
Mortgage subsidies	378	611
Losses on mortgages, loans and repossessions	17	55
Amortization of rental properties (Note 22)	6,998	6,874
Amortization of community based housing	1,005	913
Amortization of Labrador Housing Programs	1,050	1,050
Write-off of rental properties	-	59
Gain on sale of rental properties	(23)	(79)
Amortization of capital assets	1,288	1,281
CMHC portion of non-cash items	166	262
Group health and life insurance retirement benefits (Note 11)	1,494	1,425
	17,645	24,954
Net change in other operating items	3,444	(2,805)
	21,089	22,149
Cash flows from investing activities:		
Decrease in receivable from municipalities re: land transfers	184	56
Decrease in land assemblies	-	5999
Advances of mortgages and loans	(2,006)	(1,831)
Principal recoveries of mortgages and loans	3,535	4,053
Proceeds from sale of rental properties	66	349
Investment in capital assets	(792)	(3,449)
Investment in rental properties	(3,364)	(4,669)
	(2,377)	508
Cash flows from financing activities:		
(Decrease) increase in deferred revenue	(3,402)	5,155
Decrease in capital replacement fund	(255)	(401)
Increase in mortgages, debentures, and similar indebtedness	2,062	1,521
Repayments of mortgages, debentures, and similar indebtedness	(1,243)	(1,118)
Repayments of CMHC investment in cost-shared programs	(6,267)	(7,270)
	(9,105)	(2,113)
Increase in cash	9,607	20,544
Cash, beginning of year	61,177	40,633
Cash, end of year	$ 70,784	$ 61,177

Authority

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the *Housing Corporation Act*. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Summary of significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs, interest and other related carrying charges.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated amortization and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from Government departments, costs have been recorded at $1. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

1. **Summary of significant accounting policies (cont.)**

(d) Rental properties (cont.)

Non-profit housing	
- Capital costs	Sinking fund, 25-50 years
- Renovation costs	Sinking fund, 15 years
Market housing	
- Capital costs	2% declining balance
Affordable Housing Trust	
- Capital costs	Straight line, 25 years

The Corporation depreciates the full capital cost of non-profit housing.

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the methods described below based on the expected useful lives of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Maintenance tools and equipment	Straight line, 10 years
Computer hardware and software	Straight line, 4 years
Vehicles	Straight line, 5 years

(f) Severance pay

Severance pay is calculated based on years of service and current salary levels. Entitlement to severance pay vests with employees after nine years of continuous service. The amount is payable when employees cease employment with the Corporation unless an employee transfers to another entity in the public service, in which case the liability is transferred with that employee to the other entity.

(g) Revenue recognition

Interest income is accounted for on the accrual basis for all mortgages and loans other than the impaired portion of mortgages and loans. Recognition of interest in accordance with the terms of the original loan agreement ceases when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of a portion of principal or interest. The impaired portion of loans may revert to accrual status only when principal and interest payments have become fully current again, at which time any interest will be recognized in that fiscal year.

1. Summary of significant accounting policies (cont.)

(g) Revenue recognition (cont.)

Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

(h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the year.

(i) Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, receivable from municipalities re: land transfers, accounts payable and accrued liabilities, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. These financial instruments are accounted for as follows:

Held-for-trading

The Corporation has designated cash as held-for-trading and is measured at fair value.

Loans and receivable

The Corporation has classified the following financial assets as loans and receivables: accounts receivable, due from the Province of Newfoundland and Labrador - Labrador Housing Programs, mortgages and loans receivable, and receivable from municipalities re: land transfers. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Gains and losses arising from changes in fair value are recognized in net income upon de-recognition or impairment. Given the short-term nature of accounts receivable, due from the Province of Newfoundland and Labrador - Labrador Housing Programs, and receivable from municipalities re: land transfers, their carrying values equate to their current fair value. The current fair value of mortgages and loans receivable is set out in Note 5.

1. Summary of significant accounting policies (cont.)

(i) Financial instruments (cont.)

Other financial liabilities

The Corporation has classified the following as other financial liabilities: accounts payable and accrued liabilities, group health and life insurance retirement benefits, and mortgages, debentures and similar indebtedness. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Given the short-term nature of accounts payable and accrued liabilities, their carrying value equates to their current fair value. The carrying value of the Corporation's group health and life insurance retirement benefits is based on actuarial valuations adjusted over time for the effect of changes in assumptions and approximates its fair value. The current fair value of mortgages, debentures and similar indebtedness is set out in Note 14.

2. Accounts receivable

	2011 **(000's)**	2010 (000's)
CMHC	**$ 6,226**	$ 8,170
HST	**1,304**	1,210
Land assemblies	**38**	-
Rents	**118**	95
Other	**615**	831
	8,301	10,306
Less: allowance for doubtful accounts	**83**	75
	$ 8,218	$ 10,231

3. Due from the Province of Newfoundland and Labrador - Labrador Housing Programs

In March 2000, the Province directed the Corporation to fund the renovation of existing dwellings and construction of new dwellings in Northern Coastal Labrador. In March 2002, the Province directed the Corporation to fund the construction of a personal care home in Mary's Harbour.

Under these initiatives, title to these dwellings is held by the homeowners with the Province repaying the renovation and construction costs over a 15 year period. As at 31 March 2011, the amount due from the Province was $1,241,000 (2010 - $2,291,000).

These projects are being amortized at $1,050,000 annually.

4. Inventory and prepaid expenses

	2011 (000's)	2010 (000's)
Inventory	$ 355	$ 355
Prepaid expenses	3,730	3,556
	$ 4,085	$ 3,911

5. Mortgages and loans receivable

	2011 (000's)	2010 (000's)
Provincial Home Repair Program	$ 5,871	$ 5,977
Residential Rehabilitation Assistance Program loans	1,761	2,704
Subsidized mortgages to homeowners	981	1,880
Other mortgages and loans	1,329	1,507
	9,942	12,068
Less: allowance for impaired mortgages and loans	1,364	1,566
	$ 8,578	$ 10,502

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

6. Receivable from municipalities re: land transfers

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreements. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending on the impact of any changes and management's best estimate of them.

As of 31 March 2011, 21 agreements have been completed for the transfer of lands to municipalities at a carrying value of $1,264,000 (2010 - $1,448,000).

7. Land assemblies

	2011 (000's)	2010 (000's)
Land assemblies, beginning of year	$ 1,322	$ 7,321
Cost incurred during the year:		
Land acquisition and development	66	744
Interest, capitalized	-	158
	1,388	8,223
Less: cost of earned sales recognized during year	66	6,901
Land assemblies, end of year	$ 1,322	$ 1,322

In September 1998, the Province directed the Corporation to divest of the majority of its land holdings. Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them.

8. Rental properties

	2011			2010
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Net Book Value (000's)
Non-profit housing				
- Capital costs	$ 256,905	$ 80,634	$ 176,271	$ 181,449
- Renovation costs	4,981	3,880	1,101	1,601
- Construction costs	10	-	10	-
Market housing				
- Capital costs	7,439	2,923	4,516	4,646
Affordable Housing Trust				
- Construction costs	-	-	-	1,392
- Capital costs	3,233	38	3,195	942
- Other costs	266	-	266	11
Leased land	126	-	126	126
	$ 272,960	$ 87,475	$ 185,485	$ 190,167

9. Capital assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	(000's)	(000's)	(000's)	(000's)
Office buildings - capital cost	$ 11,332	$ 2,768	$ 8,564	$ 6,387
- construction	-	-	-	2,276
Furniture and office equipment	335	143	192	203
Maintenance tools and equipment	133	15	118	82
Computer hardware and software	4,258	3,374	884	1,266
Vehicles	2,089	1,105	984	1,024
	$ 18,147	$ 7,405	$ 10,742	$ 11,238

10. Deferred revenue

	2011	2010
	(000's)	(000's)
CMHC Affordable Housing Program	$ 10,718	$ 9,193
CMHC Economic Stimulus Program	9,634	8,818
CMHC Social Housing Agreement	578	498
CMHC Provincial Home Repair Program	389	360
Sub-total Deferred Revenue CMHC	21,319	18,869
Affordable Housing Trust	3,981	8,447
Land Sales	334	400
Rentals	382	402
Capital cost – office building	-	1,300
	$ 26,016	$ 29,418

Deferred revenue CMHC relates to the unearned balance of funds from CMHC under the Social Housing Agreement and the Affordable Housing, Economic Stimulus, and Provincial Home Repair Programs.

Deferred revenue Affordable Housing Trust (AHT) relates to the unearned balance of the AHT Federal Government funding.

10. Deferred revenue (cont.)

Deferred revenue land sales relates to future development costs to be funded from sales received to date.

Deferred revenue rentals consists of rental payments received by the Corporation in advance of the due dates.

Deferred revenue capital cost relates to a capital grant from the Province towards the construction of a new office/maintenance building.

11. Group health and life insurance retirement benefits

All retired employees of the Corporation are eligible to participate in the group insurance plans. Under the plans, the Corporation pays 50% of the total premium charged towards the benefits of both active employees and retirees for life insurance and health benefits. As at 31 March 2011, the health plan provided benefits to 179 retirees (2010 - 161) and the life insurance plan to 199 retirees (2010 - 183).

The actuarial extrapolation prepared by the Corporation's actuary was based on a number of assumptions about future events including an interest rate of 6%, health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Corporation's best estimates of expected long-term rates and short-term forecasts.

Group health and life insurance retirement benefits liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

	Estimated Accrued Benefit Obligation	**Unamortized Experience Gains (Losses)**	**Net Liability 2011**	Net Liability 2010	Change
	(000's)	**(000's)**	**(000's)**	(000's)	(000's)
Group health retirement benefits	**$ 17,073**	**$ (2,490)**	**$ 14,583**	$ 13,186	$ 1,397
Group life insurance retirement benefits	**1,631**	**48**	**1,679**	1,582	97
	$ 18,704	**$ (2,442)**	**$ 16,262**	$ 14,768	$ 1,494

There are no fund assets associated with these plans.

11. Group health and life insurance retirement benefits (cont.)

Group health and life insurance retirement benefits expense

In these financial statements group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

	Corporation's Share of Current Period Costs (000's)	Interest Expense on the Liability (000's)	Corporation's Current Period Contributions (000's)	Current Period Amortization of Experience Changes (000's)	Change (000's)
Group health retirement benefits	$ 355	$ 964	$ (270)	$ 348	$ 1,397
Group life insurance retirement benefits	21	92	(11)	(5)	97
	$ 376	$ 1,056	$ (281)	$ 343	$ 1,494

Experience gains or losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount will be included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The unamortized experience loss at 31 March 2011 resulted from an increase in health premium rates charged by the insurance provider.

12. Capital replacement fund

In accordance with past program guidelines for partner managed projects, sponsor groups were required to set aside funds for the replacement of major capital items. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred. Since 2005, additional funds have not been set aside in the Capital replacement fund.

Transactions relating to the capital replacement fund during the year are as follows:

	2011 (000's)	2010 (000's)
Balance, beginning of year	$ 6,267	$ 6,668
Capital replacement expenditures	(255)	(401)
Balance, end of year	$ 6,012	$ 6,267

13. Mortgage insurance fund

Upon signing the Canada - Newfoundland Social Housing Agreement, the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that are owned and were previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a $3,000,000 mortgage insurance fund as protection against future losses. Losses on loans are deducted from the fund, while interest earnings were added to the fund until 1 April 2003. The Corporation ceased accruing interest as of 1 April 2003.

	2011 **(000's)**	2010 (000's)
Balance, beginning of year	**$ 3,252**	$ 3,252
Gains (losses) for the year	-	-
Balance, end of year	**$ 3,252**	$ 3,252

The fund covers a portfolio of Federal loans totalling $127,191,894. The majority of these loans relate to either Social Housing projects that receive significant Federal/Provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

14. Mortgages, debentures and similar indebtedness

	2011 **(000's)**	2010 (000's)
With fixed terms of repayment		
CMHC fixed rate term debentures, at an interest rate of 2.75% repayable in blended annual installments of $2,184,550, with final due dates ranging from December 2021 to January 2030	**$ 25,596**	$ 24,777

Principal repayments for the next five years on the $25,596,000 of debt with fixed terms of repayment are as follows:

	(000's)
2012	$ 1,497
2013	$ 1,538
2014	$ 1,581
2015	$ 1,625
2016	$ 1,672

15. CMHC investment in cost-shared programs

	2011 (000's)	2010 (000's)
Non-profit rental housing	$ 84,427	$ 85,769
Rural and native housing	19,210	23,236
Home repair assistance	832	1,565
	$ 104,469	$ 110,570

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual Federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997.

Repayment of CMHC's investment in the home repair assistance programs has no fixed term and is dependant upon future repayments of principal and interest on mortgages and loans.

16. Contributed capital - Province of Newfoundland and Labrador

Contributed capital represents accumulated capital grants of $62,861,000 made to the Corporation by the Province. These grants were utilized by the Corporation to develop housing projects, land assemblies and related programs for the benefit of the residents of the Province.

17. Contingent liabilities

(a) Claims

A claim has been filed against the Corporation for $390,000 for an alleged breach of contract relating to the renovation of a Corporation-owned rental property. This claim has not progressed far enough to enable the formation of a definite opinion as to its outcome. Therefore, the likelihood and the amount of loss to the Corporation is not determinable at this time.

17. Contingent liabilities (cont.)

(b) Environmental issues

Possible environmental liabilities exist for the following:

(i) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. The Corporation has removed some of the underground tanks and fuel lines and has undertaken some further study. To date, expenditures related to this work have totalled $2,600,000. As well, based on the studies completed to date, further remediation is estimated to cost $10,000,000. The estimated cost does not contain provision for any inflation since the study was completed.

(ii) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998-99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean up the site. Information received from a study completed in January 2000 indicates that the estimated costs of undertaking site remediation based on the information to date is in the order of $6,000,000. The estimated cost does not contain provision for any inflation since the study was completed.

(iii) In 1999, the Corporation learned of possible environmental liabilities relating to 17 underground fuel tanks in its St. John's properties located at Buckmaster's Circle. As a result of an environmental study conducted in 2000, the cost of environmental remediation related to this property is estimated at $1,000,000. To date, expenditures related to this work have totalled $317,000. All 17 tanks have been removed and remediation has been completed on seven of the 17 sites. The estimated cost does not contain provision for any inflation since the study was completed.

(iv) In 2005, the Corporation learned of possible environmental liabilities relating to underground fuel tanks in its St. John's properties located on Cashin Avenue, Froude Avenue, Empire Avenue and Hoyles Avenue. The cost of environmental remediation is estimated at $1,400,000. It is currently estimated that there are 21 underground fuel tanks at these properties. To date, expenditures related to this work have totalled approximately $276,000. Removal and remediation has been completed on nine of the 21 estimated sites.

(v) In 2009, the Corporation learned of possible environmental liabilities relating to seven underground fuel tanks in its St. John's properties located at Pleasantville. The cost of environmental remediation is estimated at $700,000.

17. Contingent liabilities (cont.)

(vi) In 2009, the Corporation learned of possible environmental liabilities relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around its St. John's properties at Chalker Place. The cost of environmental remediation is estimated at $200,000. To date, expenditures related to this work have totalled approximately $33,000. Removal has been completed on two transformers.

(vii) In 2010, the Corporation learned of possible environmental liabilities relating to 43 fuel tanks at its St. John's properties in the Guy Street-Whiteway Street area. The cost of environmental remediation is estimated at $1,290,000. To date, expenditures related to this work have totalled approximately $90,000.

(viii) In 2011, the Corporation learned of possible environmental liabilities relating to fuel tanks at its St. John's properties in the Druggett Place area, Corner Brook properties in the Vine Place area, Hopedale properties in the Carpenters Loop area, and Nain properties in the Main Street area. The cost of environmental remediation is estimated at $100,000. To date, expenditures related to this work have totalled approximately $25,000.

The Corporation's ability to remediate these sites is dependent upon funding from the Province of Newfoundland and Labrador.

18. Commitments

The Corporation has commitments totalling $44,344,398 comprised of:

(i) Uncompleted purchase and construction contracts at year end of $12,828,676
(ii) Commitments under lending programs of $25,400,952
(iii) Commitments under grant programs of $6,114,770

19. Financial instrument risks

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at 31 March 2011:

(a) Credit risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash, accounts receivable, mortgages and loans receivable, and receivable from municipalities re: land transfers. Any estimated impairment of mortgages and loans receivable is provided for through an allowance for impaired accounts and no further credit risk exists for these long-term receivables.

19. Financial instrument risks (cont.)

(b) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not materially exposed to foreign exchange risk as all financial instruments are denominated in Canadian dollars and there was an immaterial amount of foreign currency-denominated accounts payable transactions during the year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk. Interest rates on the majority of mortgages and loans receivable and mortgages, debentures and similar indebtedness are fixed to maturity.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

20. Revenue from CMHC

CMHC's share of program subsidies and administration costs are as follows:

	2011 (000's)	2010 (000's)
1997 Canada-Newfoundland Social Housing Agreement	$ 48,179	$ 49,317
Affordable Housing Program	7,818	1,855
Provincial Home Repair Program	4,071	3,826
Residential Rehabilitation Assistance Program	(37)	(24)
Mortgages	6	7
Community Based Housing Stimulus Renovations	2,564	1,720
Public Rental Housing Stimulus Renovations	5,654	3,351
	$ 68,255	$ 60,052

21. Administrative expenses

	2011 (000's)	2010 (000's)
Advertising and promotion	$ 215	$ 222
Computer system costs	1,526	1,825
General	721	765
Office equipment	88	120
Office supplies	207	214
Rent, heat, light, cleaning and maintenance	1,271	1,173
Salaries and employee benefits	17,934	16,686
Telephone and postage	435	455
Travel and vehicle expenses	578	591
	$ 22,975	$ 22,051

22. Rental properties expenses

	2011 (000's)	2010 (000's)
Amortization	$ 6,998	$ 6,874
Bad debts	83	78
Heat, light and operating	10,418	10,016
Interest on debt	16,083	16,540
Municipal taxes	6,072	5,674
Repairs and maintenance	31,619	26,510
	$ 71,273	$ 65,692

23. Pensions

Under the *Housing Corporation Act*, Corporation staff are subject to the *Public Service Pensions Act* Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2011 was $1,359,675 (2010 - $1,288,774).

24. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental properties expenses.

25. Province of Newfoundland and Labrador contribution

The Province of Newfoundland and Labrador contributed approximately 40% (2010 - 37%) of the Corporation's total revenues. The contribution enables the Corporation to carry out its overall mandate and to meet its fiscal challenges.

The Corporation's ability to continue to fulfill its mandate is dependent upon the decisions of the Province of Newfoundland and Labrador.

26. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Immigrant Investor Fund Limited
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Immigrant Investor Fund Limited, which comprise the balance sheet as at 31 March 2011, the statement of revenues, expenses and surplus, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Immigrant Investor Fund Limited as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
10 June 2011

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
BALANCE SHEET

31 March	2011	2010
ASSETS		
Current		
Cash	$ 141,627,574	$ 198,723,633
Interest receivable	132,273	74,546
	141,759,847	198,798,179
Long-term investments, at cost	87,964,796	-
Accumulated amortization of discounts	809,579	-
Long-term investments, at amortized cost (Note 2)	88,774,375	-
Deferred financing costs (Note 3)	9,452,593	8,428,074
	$ 239,986,815	$ 207,226,253
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 3,390	$ 3,390
Obligations to investors (Note 4)	19,935,012	26,050,189
	19,938,402	26,053,579
Obligations to investors (Note 4)	217,632,385	178,179,488
	237,570,787	204,233,067
Shareholder's equity		
Share capital (Note 5)		
Authorized 100 common shares of no par value Issued 3 shares	-	-
Surplus	2,416,028	2,993,186
	$ 239,986,815	$ 207,226,253

Signed on behalf of the Board: Judith A. Hearn Chairpperson

Chairperson

Member

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2011	2010
REVENUES		
Interest	$ 1,719,509	$ 790,774
Amortization of discounts	809,579	-
	2,529,088	790,774
EXPENSES		
Amortization of deferred financing costs	3,097,243	2,421,618
Audit fees	3,390	3,280
Bank charges	19	6
Miscellaneous	385	385
Safekeeping fees	5,209	2,017
	3,106,246	2,427,306
Excess of expenses over revenues	(577,158)	(1,636,532)
Surplus, beginning of year	2,993,186	4,629,718
Surplus, end of year	$ 2,416,028	$ 2,993,186

See accompanying notes

NEWFOUNDLAND AND LABRADOR IMMIGRANT INVESTOR FUND LIMITED
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
Cash flows from operating activities		
Excess of expenses over revenues	$ (577,158)	$ (1,636,532)
Items not affecting cash		
Amortization of deferred financing costs	3,097,243	2,421,618
Amortization of discounts	(809,579)	-
Changes in non-cash working capital		
Interest receivable	(57,727)	404
Accounts payable and accrued liabilities	-	(110)
	1,652,779	785,380
Cash flows from financing activities		
Deferred financing charges	(4,121,762)	(3,800,138)
Amounts received from investors	59,493,920	54,790,901
Refund to investors	(106,011)	(160,544)
Repayment of investor funds	(26,050,189)	-
	29,215,958	50,830,219
Cash flows from investing activities		
Purchase of investments	(87,964,796)	-
	(87,964,796)	-
Increase (decrease) in cash	(57,096,059)	51,615,599
Cash, beginning of year	198,723,633	147,108,034
Cash, end of year	$ 141,627,574	$ 198,723,633

See accompanying notes

Authority

Newfoundland and Labrador Immigrant Investor Fund Limited (the Corporation), was incorporated on 28 April 2005 under the *Corporations Act* of the Province of Newfoundland and Labrador (the Province). All shares of the Corporation are held by the Minister of Innovation, Trade and Rural Development on behalf of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant Governor in Council.

The purpose of the Corporation is to receive, administer and invest funds received from Citizenship and Immigration Canada (CIC) under its Business Immigration Program. Section 92(f) of the *Immigration and Refugee Protection Regulations* to the *Immigration and Refugee Protection Act* requires that during the allocation period of five years, the provincial allocation must be used for the purpose of creating or continuing employment in Canada to foster the development of a strong and viable economy.

In April 2005 the Provincial Cabinet instructed the Board of Directors to direct the investment activities of the Corporation and refer projects to Cabinet for approval. The Provincial Cabinet also directed that all recommended investments be subject to a thorough financial and business analysis by the sponsoring department.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Deferred financing costs

Deferred financing costs are amortized, on a straight line basis, over the five year period during which the funds are available to the Corporation.

(b) Obligations to investors

An obligation to an investor is recognized upon receipt of funds from CIC.

(c) Investments

(i) Purchases: Investments are initially recorded at cost.
(ii) Amortization: Discounts are amortized on a straight-line basis from the date of purchase until maturity.

2. Long-term investments

The long-term investments consist of 47 Canadian Provincial Government guaranteed strip bonds that were purchased between 8 June 2010 and 20 January 2011, and mature between 2 June 2013 and 15 November 2015. Settlement values of these bonds ranged from $47,065 to $7,318,525 with a total cost of $87,964,796 (2010 - $0), while maturity values range from $50,000 to $8,300,000 and have a total maturity value of $97,503,045. Interest rates range from 2.038636% to 3.4%.

Amortization of bond discounts is calculated on a straight-line basis from the date of purchase until maturity. Total accumulated amortization of bond discounts at 31 March 2011 was $809,579, giving the investments an amortized cost of $88,774,375.

3. Deferred financing costs

Deferred financing costs of $9,452,593 (2010 - $8,428,074) consist of a seven percent commission paid to CIC approved financial institutions which market the program and assist investors in the administration of their investments. The marketing and financing fee was paid in connection with 6,139 of the 6,189 immigrant investors at 31 March 2011 (5,144 of the 5,190 immigrant investors at 31 March 2010).

4. Obligations to investors

One of the conditions for the issuance of a visa to immigrants under the Citizenship and Immigration Canada Business Immigration Program, is that they must invest $400,000 in Canada for a period of five years. The amount of the investment is allocated to the participating provinces on the first day of the second month following the month payment is received from the investor. $200,000 of the $400,000 is divided equally among the participating provinces while the remaining $200,000 is allocated on the basis of each participating province's gross domestic product as a percentage of the total gross domestic product of all participating provinces. As at 31 March 2011, Newfoundland and Labrador Immigrant Investor Fund Limited maintained an allocation of funds from 6,189 investors (2010 - 5,190 investors). Allocations were received from 1,678 investors in 2010-11 (1,453 investors in 2009-10), 3 investors were refunded in 2010-11 (4 investors in 2009-10) and 676 investors were repaid in 2010-11 (0 investors in 2009-10).

These obligations to investors are secured by a non-transferable zero interest promissory note issued by CIC, as agent for the Corporation, and the guarantee of the Province of Newfoundland and Labrador. The guarantee is to CIC, as agent for the Corporation, who will repay investors. The promissory notes are repayable without interest, in full, five years from the date the funds were allocated to the Province or within 90 days after the receipt of a written request by the investor for repayment of the funds provided that such a request for repayment has been received by the agent before a visa has been issued to the investor. As at 31 March 2011, 141 of the 6,189 investors had not received a permanent resident visa (2010 - 47 of 5,190 investors).

4. Obligations to investors (cont.)

Obligations to investors at 31 March 2011 totalled $237,567,397 (2010 - $204,229,677). Scheduled investment repayment dates are as follows:

30 April 2011	$ 2,622,692
31 May 2011	1,581,329
30 June 2011	1,427,053
31 July 2011	1,889,881
31 August 2011	1,928,450
30 September 2011	1,967,019
31 October 2011	1,928,450
30 November 2011	2,082,726
31 December 2011	1,321,138
31 January 2012	815,997
29 February 2012	1,049,139
31 March 2012	1,321,138
30 April 2012	1,631,994
31 May 2012	2,214,849
30 June 2012	3,263,988
31 July 2012	4,934,839
31 August 2012	4,857,125
30 September 2012	6,799,975
31 October 2012	5,466,461
30 November 2012	5,876,337
31 December 2012	5,648,722
31 January 2013	2,731,759
28 February 2013	4,305,993
31 March 2013	4,215,265
30 April 2013	3,978,895
31 May 2013	3,821,314
30 June 2013	4,294,055
31 July 2013	3,252,776
31 August 2013	7,194,396
30 September 2013	7,542,528
31 October 2013	6,312,768
30 November 2013	4,632,096
31 December 2013	4,420,624
31 January 2014	1,876,680
28 February 2014	2,710,760
31 March 2014	1,546,512
30 April 2014	2,960,984
31 May 2014	2,038,584
30 June 2014	3,022,729

4. Obligations to investors (cont.)

31 July 2014	6,756,048
31 August 2014	8,048,872
30 September 2014	6,186,048
31 October 2014	6,528,604
30 November 2014	4,837,664
31 December 2014	3,968,384
31 January 2015	2,799,128
28 February 2015	3,472,336
31 March 2015	3,988,373
30 April 2015	4,783,320
31 May 2015	3,826,656
30 June 2015	5,704,552
31 July 2015	8,649,880
31 August 2015	8,891,272
30 September 2015	6,277,704
31 October 2015	6,030,828
30 November 2015	3,502,464
31 December 2015	2,290,156
31 January 2016	2,760,736
28 February 2016	4,580,312
31 March 2016	2,196,040
Total	237,567,397
Less: current portion	19,935,012
Obligation to investors: long-term	$ 217,632,385

5. Share capital

The Minister of Innovation, Trade and Rural Development holds 100% of the issued common shares of the Corporation on behalf of the Province of Newfoundland and Labrador.

6. Related party transactions

For administrative purposes the Corporation is managed by the Department of Innovation, Trade and Rural Development and investments are made by the Department of Finance. Expenses related to salaries, accommodations and administration are incurred directly by the departments and no provision is made in these financial statements for these expenses. The amount of these expenses is not material to these financial statements.

At 31 March 2011, the Corporation held a related party investment consisting of a bond in Newfoundland and Labrador Hydro. The bond was purchased on 13 December 2010 at a cost of $5,880,637 with an interest rate of 2.7%. This bond matures 15 June 2014 and has a maturity value of $6,460,322.

7. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash, interest receivable, long-term investments at amortized cost, accounts payable and accrued liabilities, and obligations to investors. The purpose of the Corporation is to receive capital from immigrant investors and invest the funds for the purpose of creating and continuing employment in Canada to foster the development of a strong viable economy. At 31 March 2011, the Corporation had invested $87,964,796 of the funds received from immigrant investors in Canadian Provincial Government guaranteed strip bonds. However, it had not invested any of the funds in projects.

Fair value

The carrying value of the interest receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. Long-term investments at amortized cost are carried at cost plus the amortization of discounts on a straight line basis from the date of purchase until maturity. Due to the fact that the obligations to investors are guaranteed by the Province and the Corporation pays no interest, the face value of the obligations to investors is their fair value.

Interest rate risk

Interest rate risk reflects the risk that the Corporation's earnings will decline due to fluctuation in interest rates. The Corporation's cash is held in a bank account bearing an interest rate based on prime. There is no interest to be paid to investors and therefore, there is no interest rate risk.

The Corporation also holds long-term investments. The intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Corporation and there is no risk associated with these investments.

8. Economic dependence

As a result of its reliance on actions by CIC and investment decisions by the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent on the actions of both entities.

9. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR
INDUSTRIAL DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Industrial
Development Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Industrial Development Corporation as at 31 March 2010 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
19 May 2010

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

BALANCE SHEET

31 March

	2010	2009
	(000's)	(000's)
ASSETS		
Current		
Cash	$ 436	$ 387
Investments, at cost (Note 2)	3,500	3,500
	$ 3,936	$ 3,887
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 2	$ 1
Surplus	3,934	3,886
	$ 3,936	$ 3,887

See accompanying notes

Signed on behalf of the Board of Directors:

Chairperson

Director

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
REVENUES		
Lease income (Note 2(b))	$ 50	$ 50
Interest and investment income	-	6
	50	56
EXPENSES		
Professional services	2	1
	2	1
Excess of revenues over expenses from operations	48	55
EXTRAORDINARY ITEMS		
Write down of investment (Note 2(a))	-	(30,000)
Write down of long-term debt (Note 3)	-	29,411
	-	(589)
Excess of revenues over expenses (expenses over revenues)	48	(534)
Surplus, beginning of year	3,886	4,420
Surplus, end of year	$ 3,934	$ 3,886

See accompanying notes

NEWFOUNDLAND AND LABRADOR INDUSTRIAL DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ 48	$ (534)
Add non-cash items:		
Write down of investment (Note 2(a))	-	30,000
Write down of long-term debt (Note 3)	-	(29,411)
	48	55
Changes in non-cash working capital	1	-
Net increase in cash	49	55
Cash, beginning of year	387	332
Cash, end of year	$ 436	$ 387

See accompanying notes

Authority

The Newfoundland and Labrador Industrial Development Corporation (NIDC) operates under the authority of the *Industrial Development Corporation Act*. The primary purpose of NIDC is to provide long-term financing to industrial and resource-based companies. Funding is secured through various means including borrowing from the Province of Newfoundland and Labrador (Province). The affairs of NIDC are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Basis of accounting

These financial statements have been prepared by NIDC's management in accordance with Canadian generally accepted accounting principles.

2. Investments

	2010 (000's)	2009 (000's)
Icewater Seafoods Inc., 35,000 Preference Shares	$ 3,500	$ 3,500

(a) Water rights held in Labrador

The *Energy Corporation of Newfoundland and Labrador Water Rights Act*, which was assented to on 4 June 2008, extinguished NIDC's water rights to the Lower Churchill River, without any compensation. As a result of the expropriation, NIDC's investment in these water rights, which was valued at $30,000,000, was written down to $0.

2. Investments (cont.)

(b) Icewater Seafoods Inc.

During 2004-05, NIDC was authorized by the Province to provide funding to Icewater Seafoods Inc. in the amount of $3,500,000 by way of a preference share investment in order to assist Icewater Seafoods Inc. in its acquisition of the Arnold's Cove seafood processing facility. These preference shares, having a par value of $100 per share, are non-voting and redeemable with annual, fixed, preferential and cumulative dividends. The Province advanced funding to NIDC for this investment, by way of two $1,750,000 grants. These grants were received in October 2004 and April 2005, with 17,500 preference shares purchased from each grant.

By Agreement dated 8 October 2004, NIDC has acquired for nominal consideration from High Liner Foods Incorporated, the previous operator of the Arnold's Cove seafood processing facility, its Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, as defined by the Agreement.

By separate lease Agreement, also dated 8 October 2004, NIDC leased these Enterprise Allocations, vessel designations and historic rights for Newfoundland and Labrador offshore fishing areas, to Icewater Seafoods Inc. and Icewater Harvesting Inc. This lease is for a period of twenty years at $50,000 each year and is subject to certain restrictions and conditions contained in the lease Agreement.

3. Long-term debt

Long-term debt of $29,411,000 had been incurred to purchase water rights held in Labrador, valued at $30,000,000 (Note 2(a)). The *Energy Corporation of Newfoundland and Labrador Water Rights Act*, which was assented to on 4 June 2008, extinguished NIDC's water rights to the Lower Churchill River, without any compensation. As a result of the expropriation, there was no prospect of repayment of the corresponding long-term debt by NIDC. Consequently, Treasury Board directed that the $29.4 million debt owed by NIDC to the Province be written off in 2008-09.

4. Distribution of earnings

Pursuant to Section 30 of the *Industrial Development Corporation Act*, the balance that the Minister of Finance considers to be available out of the net profits of NIDC is to be paid to the Province at such intervals and in a manner that the Minister may direct by notice to the Chairperson of the Board.

5. Related party transactions

NIDC is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department. These costs are not material and are not reflected in these financial statements.

6. Financial instruments

NIDC's short-term financial instruments recognized on the balance sheet consist of cash and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

7. Economic dependence

As a result of NIDC's reliance on Provincial funding, its ability to continue viable operations is dependent upon the decisions of the Province.

8. Income taxes

NIDC is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

Financial Statements

Newfoundland Labrador Liquor Corporation

April 2, 2011

ERNST & YOUNG

Quality In Everything We Do

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Newfoundland Labrador Liquor Corporation

We have audited the accompanying financial statements of **Newfoundland Labrador Liquor Corporation** which comprise the balance sheet as at April 2, 2011 and the statements of earnings, retained earnings, and cash flows for the 52-week period then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Newfoundland Labrador Liquor Corporation** as at April 2, 2011 and the results of its operations and its cash flows for the 52-week period then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

St. John's, Canada.
June 10, 2011.

Chartered Accountants

Newfoundland Labrador Liquor Corporation

BALANCE SHEET

As at
[in thousands]

	April 2, 2011 $	April 3, 2010 $
ASSETS		
Current		
Cash and cash equivalents	**28,693**	27,500
Accounts receivable	**5,079**	5,885
Beer commissions receivable	**4,497**	5,360
Inventories *[note 5]*	**32,702**	31,770
Prepaid expenses	**4,285**	2,607
Total current assets	**75,256**	73,122
Capital assets *[note 6]*	**13,515**	15,133
Intangible assets *[note 7]*	**2,927**	2,880
	91,698	91,135
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**24,675**	24,544
Accrued vacation pay	**2,240**	1,912
Total current liabilities	**26,915**	26,456
Accrued severance pay	**2,455**	2,364
Total liabilities	**29,370**	28,820
Equity		
Retained earnings	**62,328**	62,315
	91,698	91,135

See accompanying notes

On behalf of the Board:

Stephen R. Winter
Director

Director

STATEMENT OF EARNINGS

Period ended
[in thousands]

	April 2, 2011 $	April 3, 2010 $
Sales	**210,016**	198,529
Cost of goods sold	**90,952**	83,710
Gross profit	**119,064**	114,819
Administration and operating expenses *[note 8]*	**49,134**	46,037
Earnings from operations	**69,930**	68,782
Other income		
Commission revenue on sale of beer	**58,585**	59,756
Interest	**288**	68
Miscellaneous	**3,210**	2,332
	62,083	62,156
Net earnings	**132,013**	130,938

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF RETAINED EARNINGS

Period ended
[in thousands]

	April 2, 2011 $	April 3, 2010 $
Balance, beginning of year	**62,315**	55,377
Net earnings	**132,013**	130.938
	194,328	186,315
Payments to the province of Newfoundland and Labrador	**(132,000)**	(124.000)
Balance, end of year	**62,328**	62,315

See accompanying notes

Newfoundland Labrador Liquor Corporation

STATEMENT OF CASH FLOWS

Period ended
[in thousands]

	April 2, 2011 $	April 3, 2010 $
OPERATING ACTIVITIES		
Net earnings	**132,013**	130,938
Items not affecting cash		
Amortization	**4,568**	4,026
Gain on disposal of capital assets	**(474)**	—
Change in accrual for vacation pay	**328**	208
Change in accrual for severance pay	**91**	(149)
	136,526	135,023
Net change in non-cash working capital	**(810)**	(397)
	135,716	134,626
INVESTING ACTIVITIES		
Proceeds on disposal of capital assets	**950**	—
Purchase of capital assets	**(2,078)**	(2,646)
Purchase of intangible assets	**(1,395)**	(1,159)
	(2,523)	(3,805)
FINANCING ACTIVITY		
Payments to the Province of Newfoundland and Labrador	**(132,000)**	(124,000)
	(132,000)	(124,000)
Net increase in cash and cash equivalents	**1,193**	6,821
Cash and cash equivalents, beginning of year	**27,500**	20,679
Cash and cash equivalents, end of year	**28,693**	27,500

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

April 2, 2011
[tabular amounts in thousands]

1. DESCRIPTION OF BUSINESS

The Newfoundland Labrador Liquor Corporation ["the Corporation"] is a Provincial Crown Corporation responsible for managing the importation, sale and distribution of beverage alcohol throughout Newfoundland and Labrador.

2. FISCAL PERIOD-END

The fiscal period of the Corporation ends on the first Saturday of April. As a result, the Corporation's fiscal period is usually 52 weeks in duration but includes a 53rd week every five to six years. The fiscal periods ended April 2, 2011 and April 3, 2010 contained 52 weeks.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

Revenue recognition

Revenue is recognized when goods have been sold and all contractual obligations have been met and collection is reasonably assured.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term deposits with original maturities of twelve months or less.

Inventories

Inventory is carried at the lower of average cost and net realizable value.

Capital assets

Capital assets are recorded at cost. Amortization is recorded over the expected useful lives of the capital assets on a straight-line basis, as follows:

Leasehold improvements	1 to 20 years
Buildings	20 years
Office furniture and equipment	5 years and 10 years
Plant and warehouse equipment	5 years
Store equipment and fixtures	5 years
Motor vehicles	3 years

Intangible assets

Intangible assets consist of a trademark and computer software assets not considered integral to the operation of the related hardware. The trademark is recorded at cost and amortized on a straight-line basis over a ten-year period. Computer software is recorded at cost and amortized on a straight-line basis over a five-year period.

Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are initially recorded in the balance sheet at fair value. In subsequent periods, loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost; held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized in net earnings, and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the instrument is derecognized or impaired. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sale, normal purchase exemption. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income (loss).

The Corporation classifies its financial assets and liabilities as follows:

Cash and cash equivalents are classified as held-for-trading financial assets. These assets are measured at fair value and changes in fair value are recognized in earnings.

Accounts receivable and beer commissions receivable are classified as loans and receivables and are measured at amortized cost, which is generally the amount on initial recognition.

Accounts payable, accrued liabilities and accrued vacation pay are classified as other financial liabilities and are measured at amortized cost, which is generally the amount on initial recognition.

Use of estimates

The preparation of the Corporation's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. FUTURE ACCOUNTING POLICIES

International Financial Reporting Standards ["IFRS"]

In October 2009, the Accounting Standards Board ["AcSB"] issued a third and final Omnibus Exposure Draft confirming that publicly accountable enterprises in Canada will be required to apply IFRS, in full and without modification, for period-ends beginning on or after January 1, 2011. The Corporation's expected IFRS transition date of April 3, 2011 will require the restatement, for comparative purposes, of amounts reported on the Corporation's opening IFRS balance sheet as at April 3, 2010 and amounts reported by the Corporation for the period ended April 2, 2011.

The Newfoundland Labrador Liquor Corporation ["NLC"] conducted a comprehensive review of each area of IFRS that is expected to have a significant impact on the Corporation. At this point the NLC is able to provide a summary of the expected adjustments to the balance sheet as part of the transition to IFRS, however, throughout the 52-week period ending April 7, 2012 the Corporation will continue to refine these adjustments and with the external auditors, work to finalize the technical position papers.

The NLC will continue to evaluate developments in IFRS, including possible changes that may result from IFRS exposure drafts for revised standards.

Impact of IFRS on the Corporation

The NLC has determined a number of areas where the transition to IFRS is expected to impact the financial statements. Following is a summary of the anticipated changes to the significant accounting policies resulting from the transition:

Provisions

Under IFRS, provisions are distinguished from accrued liabilities as liabilities of uncertain timing or amount. As a result, on transition to IFRS, the Corporation will reclassify certain balances previously included in accounts payable and accrued liabilities on the balance sheet to a separate line item entitled provisions. The reclassification will have no impact on opening equity.

A further implication of the transition to IFRS is an increase of the severance provision and the recognition of a sick days provision. The previous accounting policy for the severance provision was to accrue the entitlement upon the employee reaching nine years of service, which would subsequently be increased by additional entitlements as years of service were completed. Under IFRS, the Corporation will start recognizing an obligation to pay severance as of the moment an employee joins the Corporation, using assumptions with respect to retention. The impact as a result of the transition to IFRS will be an increase in the severance provision, with the offset recognized in retained earnings.

The Corporation was not required to recognize a liability for its obligation for accumulated sick days under Canadian generally accepted accounting principles ["GAAP"]. Under IFRS, a provision of such is required. The usage of sick days is limited to cover short-term disability periods and accumulated days are forfeited upon retirement or termination of the employment agreement. However, during the active service period, sick days do accumulate and at any given point during the employment period, employees are able to utilize the accumulated days to cover extended periods of illness. The Corporation estimates the provisions by using historical sick leave usage and retention averages. The expected impact on transition to IFRS is an increase to the provision, with the offset recognized in retained earnings.

Property, plant and equipment

As a result of the componentization of the Corporation's real estate and production equipment in accordance with IFRS, the Corporation anticipates it will increase the net book value of its property, plant and equipment [by decreasing the accumulated depreciation as at the transition date], with a corresponding increase in retained earnings.

For all categories, due to revising the estimated useful lives in accordance with IFRS, the Corporation anticipates an increase in the net book value of the fixed assets [also due to decreasing accumulated depreciation taken as at the transition date] and an increase in retained earnings by a corresponding amount.

Presentation differences

Under IFRS, the NLC will present the beer commissions the Corporation earns on beer sales through its corporate stores as an adjustment to cost of goods sold, whereas under Canadian GAAP these were shown as revenue.

Under IFRS, the NLC will present the commissions payable to Liquor Express operators as a reduction of revenue, whereas under Canadian GAAP these were shown in operating expenses.

Under IFRS, the NLC will present the beer commission earned by the Corporation on sales of domestic beer through Liquor Express outlets and convenience stores as revenue, whereas this was shown as an other income item under Canadian GAAP.

5. INVENTORIES

	April 2, 2011 $	**April 3, 2010 $**
Distribution Centres	**16,692**	17,058
Branch stores	**9,428**	8,830
Stock in transit	**5,923**	4,930
Raw materials	**659**	952
	32,702	31,770

The total value of inventory expensed to cost of goods sold for the period ended April 2, 2011 amounted to approximately $87.2 million [2010 – $80.7 million].

6. CAPITAL ASSETS

	Cost $	Accumulated amortization $	Net book value $
April 2, 2011			
Land	**704**	**—**	**704**
Leasehold improvements	**15,232**	**8,953**	**6,279**
Buildings	**5,029**	**2,473**	**2,556**
Office furniture and equipment	**4,585**	**2,669**	**1,916**
Plant and warehouse equipment	**3,868**	**2,965**	**903**
Store equipment and fixtures	**3,628**	**2,489**	**1,139**
Motor vehicles	**77**	**59**	**18**
	33,123	**19,608**	**13,515**
April 3, 2010			
Land	1,115	—	1,115
Leasehold improvements	15,649	8,338	7,311
Buildings	5,903	3,255	2,648
Office furniture and equipment	4,418	2,928	1,490
Plant and warehouse equipment	3,914	2,517	1,397
Store equipment and fixtures	3,762	2,625	1,137
Motor vehicles	77	42	35
	34,838	19,705	15,133

During the period, the Corporation acquired capital assets in the amount of approximately $2.1 million [2010 – $2.6 million].

NOTES TO FINANCIAL STATEMENTS

April 2, 2011
[tabular amounts in thousands]

7. INTANGIBLE ASSETS

	Cost **$**	**Accumulated amortization** **$**	**Net book value** **$**
April 2, 2011			
Computer software	**7,780**	**4,853**	**2,927**
Trademark	**203**	**203**	**—**
	7,983	**5,056**	**2,927**
April 3, 2011			
Computer software	6,524	3,644	2,880
Trademark	203	203	—
	6,727	3,847	2,880

During the period, the Corporation acquired intangible assets [computer software] in the amount of approximately $1.4 million [2010 – $1.2 million].

8. ADMINISTRATION AND OPERATING EXPENSES

	April 2, 2011 **$**	**April 3, 2010** **$**
Salaries and employee benefits	**26,486**	24,916
Express store commission and expenses	**5,025**	4,845
Amortization	**4,568**	4,026
Rent and municipal taxes	**2,629**	2,448
Marketing	**2,734**	1,987
Interest and bank charges	**1,761**	1,583
Other	**5,931**	6,232
	49,134	46,037

9. FINANCIAL INSTRUMENTS

Market risk – foreign currency exposure

The Corporation purchases beverage alcohol internationally and is therefore exposed to market risks related to foreign currency exchange rate fluctuations. Such exposure arises from purchases of beverage alcohol in currencies other than the Canadian dollar. Approximately 4% of the Corporation's purchases are denominated in currencies other than the Canadian dollar. To perform a sensitivity analysis, the Corporation assesses the risk of loss in fair values due to the impact of hypothetical changes in foreign currency exchange rates on monetary assets and liabilities denominated in currencies other than the Canadian dollar. The Corporation's primary exposures to foreign currency exchange rate fluctuations are in European Euro, U.S. dollar, Australian dollar, U.K pound sterling and New Zealand dollar. For the 52 weeks ended April 2, 2011, the potential decrease or increase in earnings from a hypothetical instantaneous 10% increase or decrease in the April 2, 2011 quoted foreign currency spot rates applied to the above currency-denominated monetary assets and liabilities included in the April 2, 2011 balance sheet would have amounted to approximately $0.01 million. To mitigate the potential risk with respect to foreign currency exchange rate fluctuations, the Corporation periodically adjusts the landed cost of its products to account for changing foreign currency exchange rates. The Corporation's retail prices are calculated in reference to landed cost.

Credit risk

The Corporation is exposed to credit risk with respect to accounts receivable from customers. The Corporation provides products to a large customer base, which minimizes the concentration of credit risk. There were no single customers that accounted for 10% or more of the Corporation's accounts receivable at April 2, 2011 or April 3, 2010. The Corporation has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilizes internal and third-party collections processes for overdue accounts. Customers with contracts related to the Corporation's manufacturing operation are required to provide adequate security for outstanding credit balances. Accounts receivable balances related to Liquor Express Store operations are subject to General Security Agreements. The Corporation also maintains provisions for potential credit losses that are assessed on an ongoing basis.

Liquidity risk

The Corporation is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by maintaining adequate cash and cash equivalents. The Corporation believes that cash and cash equivalents on hand and future cash flows generated by operations will be adequate to meet its financial obligations. All of the Corporation's financial liabilities are due within one year.

Fair values

Fair value estimates are made as of a specific point in time, using available information about the financial instruments and current market conditions. The estimates are subjective in nature and involve uncertainties and judgment. The carrying values of financial instruments included in current assets and current liabilities on the balance sheet approximate their fair values, reflecting the short-term maturities and normal trade credit terms of these instruments.

10. LEASE COMMITMENTS

The Corporation has entered into rental leases covering retail outlets. Annual lease obligations for the next five years are as follows:

	$
2012	2,155
2013	1,834
2014	1,718
2015	1,698
2016	1,601
	9,006

11. RELATED PARTY TRANSACTIONS

The Corporation is leasing office and warehouse space in St. John's from the Department of Works, Services and Transportation. These leases are rent-free; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

NOTES TO FINANCIAL STATEMENTS

12. PENSIONS

The Corporation and its employees are subject to the *Public Service Pensions Act* effective June 26, 1973. Pension contributions deducted from employees' salaries are matched by the Corporation and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension expense for the period amounted to $1.6 million [2010 – $1.5 million].

NEWFOUNDLAND AND LABRADOR
MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Municipal Financing
Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Municipal Financing Corporation as at 31 March 2010 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
25 June 2010

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
BALANCE SHEET

31 March	2010	2009
	(000's)	(000's)
ASSETS		
Current		
Investment - coupons (at cost)	$ 662	$ 1,109
- earned interest receivable	803	1,383
Accounts receivable	6,800	6,277
Accrued interest receivable	765	1,072
Current portion of loans receivable (Note 2)	20,469	23,335
	29,499	33,176
Long-term investment - coupons	657	1,320
Long-term loans receivable (Note 2)	86,223	106,716
Deferred charges (Note 3)	200	283
	$ 116,579	$ 141,495
LIABILITIES AND SURPLUS		
Current		
Bank indebtedness	$ 985	$ 12,763
Accounts payable and accrued liabilities	52	74
Accrued interest payable	622	907
Current portion of debenture debt (Note 4)	18,566	20,466
Current portion of deferred revenue (Note 5)	68	89
	20,293	34,299
Long-term debenture debt (Note 4)	80,378	98,944
Long-term deferred revenue (Note 5)	105	171
Reserve fund (Note 6)	6,770	1,770
	107,546	135,184
Surplus	9,033	6,311
	$ 116,579	$ 141,495

See accompanying notes

Signed on behalf of the Board of Directors: ______________ **Chairperson** ______________ **Director**

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March

	2010 (000's)	2009 (000's)
REVENUES		
Interest on loans to municipal corporations	$ 9,075	$ 11,218
Sinking fund revenue	-	414
Short-term interest	121	210
Amortization of deferred revenue:		
Prepayment penalties	89	127
	9,285	11,969
EXPENSES		
Administrative and miscellaneous	125	134
Amortization of deferred charges:		
Issue expenses on debenture debt	59	80
Premiums and discounts on debenture debt	24	34
Interest on long-term debt	6,302	8,904
Interest - other	53	352
	6,563	9,504
Excess of revenues over expenses	2,722	2,465
Surplus, beginning of year	6,311	3,846
Surplus, end of year	$ 9,033	$ 6,311

See accompanying notes

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended 31 March

	2010	2009
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	$ 2,722	$ 2,465
Add (deduct) non-cash items:		
Sinking fund revenue	-	(414)
Amortization of prepayment penalties	(89)	(127)
Accrued interest income on coupons	(91)	(165)
Amortization of issue expenses on debenture debt	59	80
Amortization of premiums and discounts on debenture debt	24	34
	2,625	1,873
Change in non-cash working capital	(523)	(1,137)
	2,102	736
Cash flows from financing activities		
Retirement of debentures	(20,466)	(43,209)
Assets transferred from sinking fund	-	12,405
Reserve fund advances received	5,000	-
Prepayment penalties received	2	152
	(15,464)	(30,652)
Cash flows from investing activities		
Investment - coupons redeemed	1,781	2,602
Loan payments received from municipal corporations	23,359	27,137
	25,140	29,739
Decrease (increase) in bank indebtedness	11,778	(177)
Bank indebtedness, beginning of year	(12,763)	(12,586)
Bank indebtedness, end of year	$ (985)	$ (12,763)

See accompanying notes

Authority

Newfoundland and Labrador Municipal Financing Corporation (the Corporation) was created by the *Municipal Financing Corporation Act*. The Corporation was established to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(b) Deferred revenue

Penalties are charged when municipal corporations prepay all or a portion of their loans with the Corporation. These penalties are deferred and amortized on a straight line basis over the average years remaining for these loans prior to payout.

2. Loans receivable

	2010 (000's)	2009 (000's)
Loans receivable from municipal corporations	$ 106,692	$ 130,051
Less: current portion	(20,469)	(23,335)
Long-term portion	$ 86,223	$ 106,716

2. Loans receivable (cont.)

Loans to municipal corporations are made on the security of their debentures. Provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable in each of the next five (5) years are as follows:

Year	Amount (000's)
2011	$20,469
2012	$17,907
2013	$16,602
2014	$14,168
2015	$11,643

3. Deferred charges

	2010 (000's)	2009 (000's)
Issue expenses on debenture debt	$ 142	$ 202
Premiums and discounts on debenture debt	58	81
	$ 200	$ 283

4. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal, interest and sinking fund payments, if any, by the Province. Details of long-term debt outstanding at 31 March 2010 are as follows:

Series	Remaining Term	Interest Rate %	**2010** **(000's)**	2009 (000's)	
MFC-22			$ -	$ 1,250	
MFC-36	15 May 2010	9.600	**1,250**	2,500	(a)
MFC-37	10 Jan 2011	8.375	**2,000**	4,000	(b)
MFC-38	1 Jun 2010-13	5.875 - 6.000	**5,000**	6,200	(c)
MFC-39	16 Dec 2010-13	6.000 - 6.125	**4,000**	5,000	(d)
MFC-40	14 Dec 2010-14	6.700 - 6.850	**5,000**	6,200	(e)
MFC-41	17 Oct 2010	6.500	**1,000**	2,600	(f)
MFC-42	5 Apr 2010-11	5.800 - 5.900	**4,200**	5,800	(g)
MFC-43	20 Sep 2010-16	6.125 - 6.500	**15,600**	18,400	(h)
MFC-44	15 Mar 2011-17	5.750 - 6.125	**7,000**	8,000	(i)
MFC-45	26 Mar 2011-13	5.125 - 5.375	**14,000**	16,000	(j)
MFC-46	15 Feb 2012	5.200	**10,000**	10,000	
MFC-47	17 Mar 2011-19	4.375 - 5.200	**11,394**	12,660	(k)
MFC-48	29 Mar 2011-20	4.350 - 5.200	**18,500**	20,800	(l)
Total			**98,944**	119,410	
Less: current portion			**(18,566)**	(20,466)	
Long-term portion			**$ 80,378**	$ 98,944	

4. Debenture debt (cont.)

(a) MFC-36: On 15 May 2010, the Corporation is to redeem $1,250,000.

(b) MFC-37: On 10 January 2011, the Corporation is to redeem $2,000,000.

(c) MFC-38: On 1 June of each year, the Corporation is to redeem $1,250,000 in the years 2010 to 2013 inclusive.

(d) MFC-39: On 16 December of each year, the Corporation is to redeem $1,000,000 in the years 2010 to 2013 inclusive.

(e) MFC-40: On 14 December of each year, the Corporation is to redeem $1,000,000 in the years 2010 to 2014 inclusive.

(f) MFC-41: On 17 October 2010, the Corporation is to redeem $1,000,000.

(g) MFC-42: On 5 April of each year, the Corporation is to redeem $1,700,000 in the year 2010 and $2,500,000 in the year 2011.

(h) MFC-43: On 20 September of each year, the Corporation is to redeem $2,800,000 in the years 2010 to 2011 inclusive and $2,000,000 in the years 2012 to 2016 inclusive.

(i) MFC-44: On 15 March of each year, the Corporation is to redeem $1,000,000 in the years 2011 to 2017 inclusive.

(j) MFC-45: On 26 March of each year, the Corporation is to redeem $2,000,000 in the years 2011 to 2012 inclusive and $10,000,000 in the year 2013.

(k) MFC-47: On 17 March of each year, the Corporation is to redeem $1,266,000 in the years 2011 to 2019 inclusive.

(l) MFC-48: On 29 March of each year, the Corporation is to redeem $2,300,000 in the years 2011 to 2015 inclusive and $1,400,000 in the years 2016 to 2020 inclusive.

4. Debenture debt (cont.)

Estimated debenture maturities over the next five (5) years are as follows:

Year Ending 31 March	Debenture Maturities (000's)
2011	$18,566
2012	$25,116
2013	$19,816
2014	$ 9,816
2015	$ 7,566

5. Deferred revenue

	2010 (000's)	2009 (000's)
Deferred revenue	$ 173	$ 260
Less: current portion	(68)	(89)
Long-term portion	$ 105	$ 171

6. Reserve fund

The Province has historically funded a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation. There has been no allocation to municipalities since March 2006. To assist with debt relief on arrears, the Department of Municipal Affairs deposited $4 million into the reserve fund November 2009, and a further $1 million in March 2010.

The year end reserve fund balance is as follows:

	2010 (000's)	2009 (000's)
Reserve fund, beginning of year	$ 1,770	$ 1,770
Add: funds advanced to Corporation during year	5,000	-
Reserve fund, end of year	$ 6,770	$ 1,770

7. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of short-term investments, accounts receivable, accrued interest receivable, bank indebtedness, accounts payable and accrued liabilities, and accrued interest payable. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's accounts receivable.

The Corporation's long-term financial instruments recognized on the balance sheet consist of long-term investments, long-term loans receivable and long-term debenture debt. The Corporation's policy is to hold its long-term investments to maturity, therefore their reported value is current fair value to the Corporation. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's long-term loans receivable and therefore, the amount presented in the balance sheet is the same as current fair value of the asset.

The majority of the Corporation's long-term debt is issued as serial debentures which are redeemed over a number of years at varying interest rates. In addition, the Corporation's long-term debenture debt was used to finance loans to the Province's various municipalities. The rates charged by the Corporation to these municipalities were calculated using the rates the Corporation was required to pay on its related debenture debt plus an additional percentage. Because provisions exist for the recovery from the Province of any defaults by municipal corporations and because the long-term debenture debt of the Corporation is specifically tied to these receivables, the long-term debenture debt as presented in the balance sheet is presented at current fair value and the Corporation is not subject to any rate risk relating to this debt.

8. Economic dependence

As a result of cost-sharing arrangements, the loans receivable from municipal corporations disclosed in Note 2 are serviced by both the municipal corporations and the Province. Due to the nature of these arrangements, the Province is in effect repaying a significant portion of the loans owing to the Corporation. Provisions exist for the recovery from the Province of any defaults by municipal corporations.

The Corporation's debentures are fully guaranteed by the Province as to principal, interest and sinking fund payments, if any. As at 31 March 2010, this guarantee covered net debenture debt and accrued interest totalling $99,566,000 (2009 - $120,317,000).

As a result, the Corporation's continued existence is dependent upon the decisions of the Province.

9. Related party transactions

The Corporation is administered by employees of the Department of Finance. The salary costs of these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

10. Income taxes

The Corporation is a Crown corporation of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

11. Planned wind down of operations

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it collects its loans receivable and repays its debenture debt.

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Financial Statements

Year Ended March 31, 2010

INDEPENDENT MEMBER OF DFK INTERNATIONAL

NOSEWORTHY FJ CHAPMAN
CHARTERED ACCOUNTANTS

Suite 201, 516 Topsail Rd - St. John's, NL - A1E 2C5
Tel: (709) 364-5600 - Fax: (709) 368-2146
www.noseworthychapman.ca

AUDITORS' REPORT

To the Board of Directors of Newfoundland and Labrador Sports Centre Inc.

We have audited the statement of financial position of Newfoundland and Labrador Sports Centre Inc. as at March 31, 2010 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Noseworthy Chapman
Chartered Accountants
St. John's, NL
July 5, 2010

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Financial Position

March 31, 2010

	2010	2009
ASSETS		
CURRENT		
Cash	$ 62,711	$ 30,225
Accounts receivable	57,415	45,480
Prepaid expenses	5,794	1,258
	125,920	76,963
CAPITAL ASSETS *(Note 4)*	7,564,793	7,855,915
SECURITY DEPOSIT *(Note 5)*	16,110	16,110
	$ 7,706,823	$ 7,948,988
LIABILITIES		
CURRENT		
Accounts payable	$ 35,809	$ 11,272
Deferred contribution *(Note 6)*	73,000	73,000
	108,809	84,272
DEFERRED CONTRIBUTIONS *(Note 7)*	7,564,793	7,855,915
	7,673,602	7,940,187
NET ASSETS		
General fund	33,221	8,801
	$ 7,706,823	$ 7,948,988

ON BEHALF OF THE BOARD

_______________ *Owner*

_______________ *Owner*

See notes to financial statements

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2010

	2010	2009
REVENUE		
Amortization of contributions in-kind	$ 291,122	$ 403,469
Government grants	400,390	304,400
Rental	81,620	38,999
Miscellaneous	789	6,715
	773,921	753,583
EXPENSES		
Advertising and promotion	832	3,348
Amortization	291,122	403,469
Insurance	5,012	5,118
Interest and bank charges	104	266
Memberships	170	-
Miscellaneous	3,125	896
Office	5,188	3,699
Online booking maintenance	1,425	1,819
Professional fees	3,513	3,507
Property taxes	3,083	3,057
Rental	-	2,387
Repairs and maintenance	46,287	29,015
Salaries and wages	255,995	166,752
Security	639	16,401
Supplies	18,609	21,109
Telephone	2,260	1,769
Training	1,224	1,415
Utilities	109,402	80,755
Vehicle	1,511	-
	749,501	744,782
EXCESS OF REVENUE OVER EXPENSES	$ 24,420	$ 8,801

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Changes in Net Assets

Year Ended March 31, 2010

	General Fund	**2010**	2009
NET ASSETS - BEGINNING OF YEAR	$ 8,801	**$ 8,801**	$ -
Excess of revenue over expenses	24,420	**24,420**	8,801
NET ASSETS - END OF YEAR	$ 33,221	**$ 33,221**	$ 8,801

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Cash Flows

Year Ended March 31, 2010

	2010	2009
OPERATING ACTIVITIES		
Cash receipts from Government and customers	$ 470,864	$ 377,632
Cash paid to suppliers and employees	(438,274)	(347,141)
Interest and bank charges paid	(104)	(266)
INCREASE IN CASH	32,486	30,225
Cash - beginning of year	30,225	-
CASH - END OF YEAR	$ 62,711	$ 30,225

1. DESCRIPTION OF BUSINESS

The company was incorporated on April 3, 2008 and is a Provincial Crown Corporation that provides a training centre for all sports available to the youth of the province of Newfoundland and Labrador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the organization conform with generally accepted accounting policies in Canada for not-for-profit organizations. Significant accounting policies are as follows:

Revenue recognition

The organizations financial statements are prepared using the deferral method.

Under this deferral method, sales through the rental of the facilities are recognized when the revenue is received or receivable if the amount to be received can be reasonably estimated and the collection is resonably assured. Externally restricted contributions are recognized as revenue in the year related expenditures are incurred.

Capital assets

Capital assets are stated at estimated fair value of the in-kind contributions less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Building	40 years	straight-line method
Equipment	5 years	straight-line method

The estimated useful life of the building was changed during 2010 to 40 years (25 years in 2009) based on management's further reseach into the useful life of buildings of this nature. The result was a decrease in both amortization expense and the related amortization of contributions in-kind of $223,576 in 2010.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

4. CAPITAL ASSETS

	Cost	Accumulated amortization	**2010 Net book value**	2009 Net book value
Land	$ 280,000	$ -	**$ 280,000**	$ 280,000
Building	7,452,549	483,857	**6,968,692**	7,154,447
Equipment	526,835	210,734	**316,101**	421,468
	$ 8,259,384	$ 694,591	**$ 7,564,793**	$ 7,855,915

5. SECURITY DEPOSIT

Represents a security deposit made to Newfoundland Power for $16,110. This amount will be held for two years and then refunded to the Centre.

6. DEFERRED CONTRIBUTION

The deferred contribution represents funds received from the Government of Newfoundland and Labrador for the purchase of a gymnasium floor cover which the organization intends to purchase during the next fiscal year.

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions represent the unamortized value of the in-kind contribution of land, building and equipment to the Centre. In accordance with Canadian GAAP, the Centre has recognized the fair value of the assets contributed and is amortizing the contribution at the applicable rates that coincide with the donated assets.

The constuction of the Centre's building was supervised by the City of St. John's. The cost, including land allocation, was $8,259,384 and was funded by the following contributions: Government of Newfoundland and Labrador - $3,206,256; Government of Canada - $2,753,128; City of St. John's - $1,300,000; and Swilers Club - $1,000,000.

The value of deferred contributions at March 31, 2010 is $7,564,793 (net of accumulated amortization of $694,591).

8. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Financial Statements

Year Ended March 31, 2011

NOSEWORTHY CHAPMAN
CHARTERED ACCOUNTANTS

INDEPENDENT MEMBER OF DFK INTERNATIONAL

NOSEWORTHY CHAPMAN
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Newfoundland and Labrador Sports Centre Inc.

We have audited the accompanying financial statements of Newfoundland and Labrador Sports Centre Inc., which comprise the statement of financial position as at March 31, 2011, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Sports Centre Inc. as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Noseworthy Chapman
Chartered Accountants
St. John's, NL
June 14, 2011

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Financial Position

March 31, 2011

	2011	2010
ASSETS		
CURRENT		
Cash	$ 159,989	$ 62,711
Accounts receivable	333,341	57,415
Prepaid expenses	6,462	5,794
	499,792	125,920
CAPITAL ASSETS *(Note 5)*	7,273,112	7,564,793
SECURITY DEPOSIT *(Note 6)*	-	16,110
	$ 7,772,904	$ 7,706,823
LIABILITIES		
CURRENT		
Accounts payable	$ 63,756	$ 35,809
Deferred contributions *(Note 7)*	396,987	73,000
	460,743	108,809
DEFERRED CAPITAL CONTRIBUTIONS *(Note 8)*	7,273,112	7,564,793
	7,733,855	7,673,602
NET ASSETS		
General fund	39,049	33,221
	$ 7,772,904	$ 7,706,823

ON BEHALF OF THE BOARD

_______________ Owner

_______________ Owner

See notes to financial statements

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Changes in Net Assets

Year Ended March 31, 2011

	General Fund	2011	2010
NET ASSETS - BEGINNING OF YEAR	$ 33,221	$ 33,221	$ 8,801
Excess of revenue over expenditures	5,828	5,828	24,420
NET ASSETS - END OF YEAR	$ 39,049	$ 39,049	$ 33,221

See notes to financial statements

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2011

	2011	2010
REVENUE		
Government grants	$ 381,000	$ 400,390
Amortization of deferred capital contributions	291,681	291,122
Rental	109,516	81,620
Donation	15,513	-
Miscellaneous	1,722	789
	799,432	773,921
EXPENDITURES		
Advertising and promotion	406	832
Amortization	291,681	291,122
Insurance	4,674	5,012
Interest and bank charges	160	104
Memberships	518	170
Miscellaneous	417	3,125
Office	3,595	5,188
Online booking maintenance	1,506	1,425
Professional fees	3,519	3,513
Property taxes	982	3,083
Rental	1,172	-
Repairs and maintenance	44,103	46,287
Salaries and wages	311,273	255,995
Security	639	639
Supplies	24,774	18,609
Telephone	2,168	2,260
Training	757	1,224
Utilities	98,697	109,402
Vehicle	2,563	1,511
	793,604	749,501
EXCESS OF REVENUE OVER EXPENDITURES	$ 5,828	$ 24,420

NEWFOUNDLAND AND LABRADOR SPORTS CENTRE INC.

Statement of Cash Flows

Year Ended March 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Cash receipts from Government and customers	$ 571,922	$ 470,864
Cash paid to suppliers and employees	(474,484)	(438,274)
Interest and bank charges paid	(160)	(104)
INCREASE IN CASH	97,278	32,486
Cash - beginning of year	62,711	30,225
CASH - END OF YEAR	$ 159,989	$ 62,711

1. DESCRIPTION OF BUSINESS

Newfoundland and Labrador Sports Centre Inc. (the "organization") was incorporated under the Corporations Act of Newfoundland and Labrador on April 3, 2008. The organization is a Provincial Crown Corporation that provides a training centre for all sports available to the youth of the province of Newfoundland and Labrador.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective for the organization. The organization is currently evaluating the effect of adopting these standards, which it expects to do in fiscal year 2012.

The Accounting Standards Board implemented Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2011. The organization will be assessing the impact of the new standards on its financial statements over the next year. Early adoption is permitted for the new standards.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Building	40 years	straight-line method
Equipment	5 years	straight-line method

Revenue recognition

The organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Rental revenue is recognized on the accrual basis in accordance with the terms of the corresponding lease agreements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from customers. In order to reduce its credit risk, the organization reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The organization has a significant number of customers which minimizes concentration of credit risk.

Fair Value

The organization's carrying value of cash, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

4. CAPITAL MANAGEMENT

The organization's objective when managing capital is to ensure its ability to meet operating commitments as they become due. This is achieved primarily by continuously monitoring its actual and projected cash flows and making adjustments to capital as necessary.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	**2011 Net book value**	2010 Net book value
Land	$ 280,000	$ -	**$ 280,000**	$ 280,000
Building	7,452,549	670,171	**6,782,378**	6,968,692
Equipment	526,835	316,101	**210,734**	316,101
	$ 8,259,384	$ 986,272	**$ 7,273,112**	$ 7,564,793

6. SECURITY DEPOSIT

A security deposit made to Newfoundland Power for $16,110 was refunded in 2011.

7. DEFERRED CONTRIBUTIONS

The deferred contributions represent funding received from the Government of Newfoundland and Labrador for specific programs and purchases that are to occur in the 2012 fiscal year.

8. DEFERRED CAPITAL CONTRIBUTIONS

Deferred contributions represent the unamortized value of the in-kind contribution of land, building and equipment to the Centre. In accordance with Canadian GAAP, the Centre has recognized the fair value of the assets contributed and is amortizing the contribution at the applicable rates that coincide with the donated assets.

The construction of the Centre's building was supervised by the City of St. John's. The cost, including land allocation, was $8,259,384 and was funded by the following contributions: Government of Newfoundland and Labrador - $3,206,256; Government of Canada - $2,753,128; City of St. John's - $1,300,000; and Swilers Club - $1,000,000.

The value of deferred contributions at March 31, 2010 is $7,273,112 (net of accumulated amortization of $986,272).

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 2011

AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the balance sheet of Newfoundland Hardwoods Limited as at March 31, 2011 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2011 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland
May 16, 2011

NEWFOUNDLAND HARDWOODS LIMITED

Balance Sheet

March 31, 2011

	2011	2010
Assets		
Current assets:		
Cash and term deposits	$ 117,300	119,190
Total current assets	$ 117,300	119,190
Liabilities and Shareholders' Equity		
Current liabilities:		
Payables and accruals	$ 1,500	1,500
Total current liabilities	1,500	1,500
Contingent losses (Note 2)	–	–
Commitments (Note 3)	–	–
Shareholders' equity:		
Common shares of no par value:		
Authorized an unlimited number; issued and fully paid at stated value, 253 shares	25,300	25,300
Retained earnings, per accompanying statement	90,500	92,390
Total shareholders' equity	115,800	117,690
	$ 117,300	119,190

See Accompanying Notes

Approved: R R Thompson Director

Director

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Income and Retained Earnings

Year ended March 31, 2011

	2011	2010
Revenue	$ –	–
Administrative expenses:		
Bank charges	20	18
Professional and consulting fees	1,700	1,650
Licences and fees	170	–
	1,890	1,668
Net loss	(1,890)	(1,668)
Retained earnings, beginning of year	92,390	94,058
Retained earnings, end of year	$ 90,500	92,390

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Cash Flows

Year ended March 31, 2011

	2011	2010
Cash provided by operating activities:		
Net loss	$ (1,890)	(1,668)
Changes in non-cash working capital balances:		
Harmonized sales tax receivable	–	–
Decrease in cash	(1,890)	(1,668)
Cash, beginning of year	119,190	120,858
Cash, end of year	$ 117,300	119,190

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 2011

1. Divestiture:

   During the 1996 fiscal year the company sold the property and equipment and inventory relating to its wood preservation and asphalt manufacturing operations. The Company has consequently ceased commercial operations.

2. Contingent losses:

   Environmental concerns:

   The Government of Newfoundland and Labrador, through an environmental indemnity, has released the current owner of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

3. Commitments:

   The company had committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date, four of these tanks have been removed and the costs of such have been reflected in these financial statements.

NEWVEST REALTY CORPORATION

FINANCIAL STATEMENTS

31 DECEMBER 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Newvest Realty Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newvest Realty Corporation which comprise the balance sheet as at 31 December 2010 and the statement of income and retained earnings, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Newvest Realty Corporation as at 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
22 June 2011

NEWVEST REALTY CORPORATION
BALANCE SHEET
31 December

	2010	2009
	(000's)	(000's)
ASSETS		
Income producing properties (Note 2)	$ 215,125	$ 180,712
Deferred charges (Note 3)	3,441	3,138
Prepaid expenses	189	187
Accounts receivable	376	568
Cash and short-term investments	6,168	8,087
	$ 225,299	$ 192,692
LIABILITIES AND EQUITY		
Mortgages payable (Note 4)	$ 82,004	$ 67,722
Accounts payable and accrued liabilities	3,150	3,642
Dividends payable (Note 5)	2,200	3,500
	87,354	74,864
Shareholder's equity		
Share capital (Note 6)	116,651	98,451
Retained earnings	21,294	19,377
	137,945	117,828
	$ 225,299	$ 192,692
Equity per share (Note 6)	$ 11.83	$ 11.97

See accompanying notes

Signed on behalf of the Board:

Chairperson

M McCarthy

Director

NEWVEST REALTY CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended 31 December	2010	2009
	(000's)	(000's)
Income		
Rents and parking	$ 14,635	$ 14,360
Expense recoveries from tenants	6,254	6,107
Adjustment on sale of income producing property	-	249
Investment and other income	31	24
	20,920	20,740
Less: Operating expenses (Note 7)	7,395	7,622
Operating income	13,525	13,118
Other expenses		
Administrative costs	114	133
Amortization of deferred charges	631	673
Asset management fees	590	575
Mortgage interest	3,723	3,787
	5,058	5,168
Net income for the year	8,467	7,950
Retained earnings, beginning of year	19,377	16,227
Dividends (Note 5)	(6,550)	(4,800)
Retained earnings, end of year	$ 21,294	$ 19,377

See accompanying notes

NEWVEST REALTY CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended 31 December	2010	2009
	(000's)	(000's)
Cash flows from operating activities		
Net income for the year	$ 8,467	$ 7,950
Items not affecting cash		
Amortization of deferred charges	631	673
Changes in non-cash working capital		
Accounts receivable	192	419
Prepaid expenses	(2)	51
Accounts payable and accrued liabilities	(492)	(1,530)
	8,796	7,563
Cash flows from investing activities		
Acquisition of income producing properties	(34,202)	-
Additions to income producing properties	(211)	(1,831)
Capitalization of deferred recoverable expenditures to income producing properties	-	(1,732)
	(34,413)	(3,563)
Cash flows from financing activities		
Change in deferred charges	(934)	1,205
Mortgage advances	16,095	-
Mortgage principal repayments	(1,813)	(4,100)
Dividends (Note 5)	(7,850)	(2,500)
Issuance of common shares (Note 6)	18,200	-
	23,698	(5,395)
Decrease in cash and short-term investments during the year	(1,919)	(1,395)
Cash and short-term investments, beginning of year	8,087	9,482
Cash and short-term investments, end of year	$ 6,168	$ 8,087

See accompanying notes

Authority

Newvest Realty Corporation was incorporated on 9 August 2001 under the provisions of the *Canada Business Corporations Act*. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. The Corporation has its headquarters in Toronto, Ontario. All shares of the Corporation are held by the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund). Board members are appointed by the Pension Investment Committee of the Fund. The purpose of the Corporation is to invest monies received from the Fund in Canadian real estate property.

The Corporation has an Investment Services Agreement with Bentall Kennedy dated 30 June 2001, under which Bentall Kennedy is responsible for the acquisition, disposal, leasing and management of real estate properties and performance of all administrative functions on behalf of the Corporation.

1. Summary of accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Cash and short-term investments represent unrestricted cash and highly liquid money-market investments.

(b) Income producing properties held for investment are recorded at cost. Amortization is not recorded on properties as it is not considered meaningful when the objective of the business is to acquire, develop and hold property for eventual sale. The Corporation capitalizes all direct costs relating to the acquisition of all properties. Leasing costs are capitalized and amortized on a straight-line basis over the term of the respective lease.

(c) The Corporation accounts for its investments in co-ownerships on a proportionate consolidation basis whereby the Corporation includes its pro-rata share of the assets, liabilities, revenue and expenses of the co-ownerships on a line-by-line basis. (See Note 9).

(d) Rental revenue includes rents from tenants under leases, property tax and operating cost recoveries, parking income and incidental income. Rental revenue with respect to rents from tenants under leases is recognized on a straight-line basis over the term of the lease.

(e) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent; however, actual results may differ from these estimates.

(f) The Corporation defers and amortizes financing costs over the term of the related mortgages.

2. Income producing properties

For investment information purposes all properties are presented below at both cost and appraised values. Appraised values are in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Kennedy.

		2010		2009	
		Cost or Value (000's)	**Appraised Value (000's)**	Cost or Value (000's)	Appraised Value (000's)
(a)	Bayview Chateau and White Rock Gardens, White Rock, British Columbia	**$ 10,330**	**$ 14,040**	$ 10,242	$ 12,650
(b)	Sperling Plaza, Burnaby, British Columbia	**16,803**	**24,000**	16,716	22,800
(c)	Park and Tilford Shopping Centre, North Vancouver, British Columbia	**44,646**	**56,000**	44,602	50,600
(d)	TD Creekside Corporate Centre (50% interest), Mississauga, Ontario	**29,284**	**34,000**	29,284	31,000
(e)	2001 Bantree (50% interest), Ottawa, Ontario	**10,421**	**11,250**	10,421	9,650
(f)	Thunder Centre (50% interest), Thunder Bay, Ontario	**15,149**	**15,000**	15,149	14,000
(g)	Centre 5735, Calgary, Alberta	**7,037**	**5,850**	7,037	6,000
(h)	4500 Cousens Road, St. Laurent, Quebec	**6,996**	**5,550**	6,989	5,750
(i)	4500 Chemin Bois Franc, St. Laurent, Quebec	**4,527**	**3,650**	4,533	3,850
(j)	Faubourg Bois Franc, St. Laurent, Quebec	**15,672**	**13,800**	15,681	13,450
(k)	Vintage Park, Calgary, Alberta	**20,058**	**15,800**	20,058	15,600
(l)	10201 Jasper Avenue (20% interest), Edmonton, Alberta	**8,965**	**8,965**	-	-
(m)	10303 Jasper Avenue (20% interest), Edmonton, Alberta	**25,237**	**25,237**	-	-
		$ 215,125	**$ 233,142**	$ 180,712	$ 185,350

3. Deferred charges

Deferred charges consist of costs incurred, net of accumulated amortization, with respect to obtaining debt financing and leasing. Amortization is recorded on a straight line basis over the term of the respective credit facility or over the remaining term of the respective leases to which the costs relate.

	2010			2009
	Cost	**Accumulated Amortization**	**Net Carrying Value**	Net Carrying Value
	(000's)	**(000's)**	**(000's)**	(000's)
Tenant inducements and leasing costs	**$ 5,089**	**$ 3,557**	**$ 1,532**	$ 1,534
Deferred financing costs	**192**	**63**	**129**	28
Straight line rent	**1,780**	**-**	**1,780**	1,576
	$ 7,061	**$ 3,620**	**$ 3,441**	$ 3,138

4. Mortgages payable

Mortgages payable represent financing obtained by the Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Appreciated value is the mortgage's market value based on the discounted future cash payments using current or similar market interest rates. Details are as follows:

	2010		2009	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $26,705, including interest calculated at a rate of 5.58% per annum, maturing 1 July 2012, secured by a conventional first mortgage, a general security agreement, and a general assignment of rents.	**$ 4,038**	**$ 4,177**	$ 4,133	$ 4,268

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(b) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $131,658, including interest calculated at a rate of 5.215% per annum, maturing 1 September 2020, secured by a first mortgage on freehold land and improvements, a first-ranking general assignment of leases and/or rents, first-ranking specific assignments, and a security agreement.	**18,343**	**18,343**	18,880	18,879
(c) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	**15,891**	**16,874**	16,362	16,688
(d) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of $38,816, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	**5,806**	**6,036**	5,975	5,884

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(e) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of $53,718, including interest calculated at a rate of 5.743% per annum, maturing 1 September 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	**7,639**	**8,144**	7,844	7,950
(f) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest calculated at a rate of 5.28% per annum, maturing 1 December 2016, secured by a first mortgage and charge on the property, and a general security agreement.	**4,071**	**4,268**	4,174	4,105
(g) Faubourg Bois Franc, St. Laurent, Quebec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.	**10,176**	**10,501**	10,354	9,899

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(h) 10201 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by the Standard Life Assurance Company of Canada, repayable in monthly installments of $33,491, including interest calculated at a rate of 6.50% per annum, maturing 1 July 2019, secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	**4,880**	**4,880**	-	-
(i) 10303 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by The Great-West Life Assurance Company, two mortgages: the first repayable in monthly installments of $29,835, including interest calculated at a rate of 4.159% per annum, maturing 1 December 2017; the second, an interest payment only mortgage, with monthly interest payments of $25,919 calculated at a rate of 5.47% per annum, maturing 1 December 2017. The first mortgage is secured by a pari-passu first mortgage on freehold land and improvements, first ranking general assignment of leases and/or rents of the lands, assignments of leases including specific assignment of major tenant leases.	**11,160**	**11,160**	-	-
	$ 82,004	**$ 84,383**	$ 67,722	$ 67,673

Annual principal repayments totalling $39.9 million (2009 - $43.0 million) to be made during the next five years are as follows:

	(000's)
2011	$ 2,160
2012	6,110
2013	2,290
2014	16,132
2015	13,166
	$ 39,858

5. Dividends payable

Dividends are payable on a resolution of the Board to the holder of common shares on a quarterly basis based on the net income for the quarter ended, less reasonable reserves as determined by Bentall Kennedy.

	2010 (000's)	2009 (000's)
Dividends payable, beginning of year	$ 3,500	$ 1,200
Dividends declared	6,550	4,800
Dividends paid	(7,850)	(2,500)
Dividends payable, end of year	$ 2,200	$ 3,500

6. Share capital

The authorized capital of the Corporation consists of an unlimited number of common shares without par value. The shares may be issued only to the Province of Newfoundland and Labrador Pooled Pension Fund. The sale, transfer or other disposition of common shares is restricted.

Changes in share capital are as follows:

	2010		2009	
	Number of shares	Amount (000's)	Number of shares	Amount (000's)
Issued and outstanding, beginning of year	9,845,100	$ 98,451	9,845,100	$ 98,451
Issued during the year for cash	1,820,000	18,200	-	-
Issued and outstanding, end of year	11,665,100	$ 116,651	9,845,100	$ 98,451

Equity per share is calculated as net asset value divided by the number of shares issued and outstanding at year end. At 31 December 2010, equity per share was $11.83 (2009 - $11.97).

7. Operating expenses

Operating expenses consist of:

	2010 (000's)	2009 (000's)
Elevator, HVAC and plumbing	$ 308	$ 278
Exterior grounds	610	538
General administrative	437	387
Insurance	162	158
Janitorial	351	320
Management fees	605	572
Miscellaneous	29	36
Non-recoverable property expenses	139	592
Parking lot	223	321
Property taxes	3,473	3,464
Repairs and maintenance	214	231
Security	184	112
Utilities	660	613
	$ 7,395	$ 7,622

8. Participation fee

Section 1.4 of Schedule 3 to the Investment Services Agreement with Bentall Kennedy dated 30 June 2001 provides for the payment of a participation fee to Bentall Kennedy by the Corporation. This participation fee shall be calculated and paid semi-annually on the fiscal year end of the Corporation and on that date which is six months thereafter. The calculation of the participation fee is based on the Corporation's performance as it relates to a preset hurdle rate formula and changes in market values of the income producing properties. A participation fee was last payable in fiscal 2008.

9. Co-ownerships

The following amounts represent the Corporation's proportionate interest in unincorporated co-ownerships. These are included in the amounts presented on the balance sheet and the statement of income and retained earnings.

	2010 (000's)	2009 (000's)
Assets	**$ 79,322**	$ 56,692
Liabilities	**47,486**	30,398
Income	**24,911**	5,406
Operating expenses	**1,554**	1,466
Mortgage interest	**1,735**	1,702

10. Related party transactions

During the year, charges of $1,431,412 (2009 - $1,314,394) were incurred for services from Bentall Kennedy, a related party, in accordance with the management contract. These amounts are incurred in the normal course of business and are measured at the amount of consideration established and agreed to by the related parties.

These amounts are charged in these financial statements to income producing properties, operating expenses and asset management fees.

11. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, mortgages payable and dividends payable. The carrying values of these instruments approximate current fair value due to their nature and the terms and conditions associated with them. Interest rates on the mortgages payable are fixed to maturity. Therefore, the carrying values of these long-term financial instruments approximate their fair value and these instruments are not subject to any material interest rate risk.

12. Subsequent event

On 24 March 2011, as per a resolution of the Directors of Newvest Realty Corporation, the Corporation issued 2,020,000 common shares at $10 per share to fund the purchase of a 15% interest in a 322,721 square foot retail/office property at 10 Dundas Street East, Toronto, Ontario. In addition, the Corporation acquired a mortgage with the CDPQ Mortgage Corporation in the amount of $15,000,000 to fund the purchase of the 15% interest.

13. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

NOVA CENTRAL SCHOOL DISTRICT

AUDITORS' REPORT

FINANCIAL STATEMENTS - JUNE 30, 2010

WALTERS HOFFE
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Members of the **Nova Central School District**

We have audited the balance sheet of the current and capital funds of the **Nova Central School District** as at June 30, 2010, and the related statements of current revenues, expenditures and Board deficiency, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2010, and the results of its operations and the changes in its capital financial position for the year then ended in accordance with the basis of accounting and as explained in Note 1 to the financial statements, which is in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

As required by Section 66(2) of the Schools Act, 1997, we report that all employees collecting, receiving and depositing cash are adequately bonded.

These financial statements, which have not been, were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the information and use of the Board and the Province of Newfoundland and Labrador and may not be appropriate for any other purpose.

Walters Hoffe
Chartered Accountants

Gander, Newfoundland

November 15, 2010

Nova Central School District
Balance Sheet
Year ended June 30

	2010	2009
Assets		
Current Assets		
Cash (Supp. Info 1)	$ 7,259,977	$ 5,540,847
Accounts Receivable (Note 2)	12,507,300	12,917,811
Inventory, at cost	-	-
Prepaid Expenses (Supp. Info 3)	652,192	432,517
Total Current Assets	20,419,469	18,891,175
Restricted Cash - Scholarship Contributions	683,123	666,134
Property and Equipment (Sch. 8)	197,710,705	186,026,712
	$ 218,813,297	$ 205,584,021
Liabilities and Board Equity		
Current Liabilities		
Bank indebtedness (Note 3)	$ -	$ -
Accounts Payable and Accruals (Note 4)	17,348,639	16,581,656
Current Maturities (Sch. 9B)	1,218,241	1,220,741
Total Current Liabilities	18,566,880	17,802,397
Scholarship Contributions	683,123	666,134
Long Term Debt (Sch. 9)	5,190,131	6,408,491
Accrued Support Staff Severance	3,089,962	2,946,438
Accrued Teacher Severance	19,191,399	18,183,084
Board Equity		
Investment in Capital Assets (Note 6)	191,302,334	178,397,486
Board Deficiency (Note 8)	(19,210,532)	(18,820,009)
Total Board Equity	172,091,802	159,577,477
Commitments (Note 7)		
	$ 218,813,297	$ 205,584,021

Approved: ______________ Chairperson

______________ Treasurer

See accompanying notes.

Nova Central School District
Statement of Current Revenues, Expenditures and Board Deficiency

Year Ended June 30		2010		2009
Current Revenues (Schedule 1)				
Local Taxation				
Provincial Government Grants	$	134,502,460	$	129,262,585
Donations				
Ancillary Services		36,000		36,000
Miscellaneous		986,002		2,987,697
	$	136,524,462	$	132,286,282
Current Expenditures				
Administration (Schedule 2)	$	4,103,385	$	3,921,632
Instruction (Schedule 3)		105,018,985		101,014,625
Operations and Maintenance (Schedule 4)		13,991,185		15,675,335
Pupil Transportation (Schedule 5)		11,342,883		11,118,010
Ancillary Services (Schedule 6)		39,398		39,117
Interest Expense (Schedule 9C)		712		1,327
Miscellaneous Expenses (Schedule 7)		-		-
		134,496,538		131,770,046

23 111

		2010		2009
Excess of Revenue over Expenditure Before Teacher Severance, Funded Management Leave Accrual and Transfer to Capital	$	1,027,924	$	516,236
Teacher Severance		(1,008,315)		(651,758)
Funded Management Leave Accrual		(443,392)		-
Transfer to Capital		33,260		-
Net Increase (Decrease) in Board Equity	$	(390,523)	$	(135,522)
Board Deficit, beginning of period		(18,820,009)		(18,684,487)
Board Deficit, end of period	$	(19,210,532)	$	(18,820,009)

See accompanying notes.

Nova Central School District
Statement of Changes in Capital Fund

Year ended June 30		2010	2009
70	Capital Receipt		
71	Proceeds from Bank Loans		
011	School Construction	$ -	$ -
012	Equipment	-	-
013	Service Vehicles	-	-
014	Pupil Transportation	-	-
015	Other - Energy Performance Contracting	-	-
72	Department of Education Grants		
011	School Construction and Equipment	12,455,994	4,293,110
012	Other	-	-
73	Donations		
011	Cash Receipts	-	-
012	Non-Cash Receipts	-	-
013	Restricted Use	-	-
74	Sale of Capital Assets Proceeds		
011	Land		
012	Buildings	20,122	-
013	Equipment	-	-
014	Service Vehicles	-	1,151
015	Pupil Transportation Vehicles	-	2,425
016	Other		
75	Other Capital Revenues		
011	Interest on Capital Fund Investments		
012	Premiums on Debentures		
013	Recoveries of Expenditures	-	53,462
015	Insurance Proceeds	22,259	-
017	Miscellaneous-Energy Grant	-	52,232
Total Capital Receipts			
77	Transfer from Reserve Account	-	-
78	Transfer to/from Current Fund	(33,260)	-
		$ 12,465,115	$ 4,402,380

See accompanying notes.

Nova Central School District
Statement of Capital Fund (cont'd)

Year ended June 30		2010	2009
80	Capital Disbursements		
81	Additions to Property and Equipment		
011	Land and Sites	$ 44,765	$ 287,019
012	Buildings	12,211,143	3,329,807
013	Furniture and Equipment - School	105,077	522,234
014	Furniture and Equipment - Other	-	217,150
015	Services Vehicles	95,009	30,843
016	Pupil Transportation	-	-
017	Other	-	-
82	Principal Repayment of Loans		
011	School Construction	-	-
012	Equipment	-	-
013	Services Vehicles	9,121	15,327
014	Other	-	-
83	Miscellaneous Disbursements		
013	Other	-	-
Total Capital Disbursements		$ 12,465,115	$ 4,402,380

See accompanying notes.

Nova Central School District
Notes to the Financial Statements

June 30, 2010

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

a) Grants received by the Board from the Department of Education are recorded in either the current or capital funds depending on the project.

b) Land, buildings and equipment are recorded in the accounts based on estimated values at January 1, 1997. Additions since that date are recorded at full cost in the capital fund.

c) The Board does not calculate or record depreciation on any of its fixed assets.

d) All capital expenditures financed out of current revenue funds are recorded as an expenditure in the current account.

e) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other prinicipal repayment of bank loans are recorded as Capital Expenditures.

Severance Pay

The Board has in effect severance pay policies whereby employees are entitled to a severance payment upon leaving employment with the Board. Under these policies, a permanent employee who has nine (9) or more years of continuous service in the employ of the School Board is entitled to be paid on resignation, retirement, termination by reasons of disability, expiry of recall rights, or in the event of death, to the employee's estate, severance pay equal to the amount obtained by multiplying the number of completed years of continuous employment by his weekly salary to a maximum of twenty (20) weeks pay. This liability for severance pay has been accrued in the accounts for all employees who have a vested right to receive such payments.

Severance pay for teachers is paid through the Department of Education. An amount of $1,187,358 has been paid during the 2009-10 fiscal period and is included in employee benefits for teachers.

			2010
2.		**Accounts Receivable**	
		Current	
11	131	Provincial Government Grant	$ 11,822,591
	132	Transportation	-
	133	Federal Government	324,486
	134	School Taxes	-
	136	Other School Boards	-
	137	Rent	-
	138	Interest	-
	139	Travel Advances, Schools and Misc.	225,945
		Capital	
11	231	Department of Education-Capital Grants	134,278
	233	Local Contributions	-
	234	Other School Boards	-
	235	Other	-
			12,507,300
		Less: Allowance for uncollectible Government grants	-
			$ 12,507,300

3.		**Bank Indebtedness - Current**	
21	131	On Operating Credit	-
	132	On Current Account	-
			$ -

Nova Central School District
Notes to the Financial Statements

June 30, 2010

4. Accounts Payable and Accruals

				2010
		Current		
21	111	Trade Payables		$ 512,185
	112	Accrued	- Liabilities	889,082
	113		- Interest	-
	114		- Wages	1,403,805
	115	Payroll Deductions		162,730
	116	Retail Sales Tax		-
	117	Deferred Grants		1,144,604
	119	Summer Pay	- Teacher	11,752,513
	122	Department of Education		176,134
		Capital		
21	211	Trade Payables		-
	212	Accrued	- Liabilities	-
	213		- Interest	-
	217	Deferred Grants		1,307,586
	218	Other		-
				$ 17,348,639

5. Reserve Account - Capital

Description:

Balance, beginning of period	$ -
Less: Transfer to Capital Fund	-
	-
Add: Transfer from Board Equity	-
Balance, end of period	$ -

	2010
5A. Reserve Account - Correct	
Description:	
Balance, beginning of period	$ -
Less: Current Expenditures	-
Add: Transfer from Board Equity	-
Balance, end of period	$ -

6. Investment in Capital Assets

			2010
Balance, June 30, 2009			$ 178,397,486
Transfer of Operating Funds to Capital Fund			(33,260)
Grants	- Department of Education-Capital Projects	12,455,994	
	- Other	-	12,455,994
Proceeds from Sale of Capital Assets- Buildings			20,122
Federal Government Energy Grant			-
Insurance Proceeds			22,259
			190,862,601
Deduct Adjustments:			
Cost of Assets Sold	- Land	-	
	- Buildings	520,835	
	- School Buses	179,882	
	- Service Vehicles-Mtce.	64,287	
	- Service Vehicles-Bussing	7,000	772,004
			190,090,597
Add Adjustments:			
Other - Pupil transportation loan payments made by current fund		1,026,307	
Energy Performance loan payments made by current fund		185,430	1,211,737
23 221 Investment in Capital Assets, end of period			$ 191,302,334

7. Commitments

At the Balance Sheet date, the District had the following commitments:

The District has entered into lease agreements with estimated future payments for the next five years as follows:

2011-$159,520
2012-$49,393
2013-$1,222
2014-$873
2015-$0

8. Board Deficiency

Opening Board Deficiency, June 30, 2009	$ (18,820,009)
Net increase(decrease) in Board Equity (Page 4)	(390,523)
Board Deficiency, June 30, 2010	$ (19,210,532)

9. Department of Education Receivables and Payables

As at June 30, 2010 the Board has recorded the following receivables from the Province of Newfoundland & Labrador - Department of Education.

Accounts Receivable - Current

Amounts due re: Teacher Summer Pay	$ 11,752,613
Amounts due re: School Operations	70,078
	$ 11,822,691

Accounts Receivable - Capital

Amounts due re: Special Incentives	$ -
Amounts due re: School Construction	134,278
	$ 134,278

Accounts Payable

Amounts due re: Other	$ 176,134
Amounts due re: Teachers Payroll	-
	$ 176,134

Nova Central School District

Schedule 1

Current Revenues

Year Ended June 30			2010	2009
Current Revenues				
31	010	Local Taxation		
	011	School Taxes		
32	010	Provincial Government Grants		
	011	Regular Operating Grants	$ 21,880,001	$ 21,744,440
	012	Special Grants (Details on bottom of Schedule 1)	1,756,494	671,047
	013	Payroll Tax	1,687,583	1,609,839
		Salaries and Benefits		
	017	Directors and Assistant Directors	1,296,202	1,149,738
	021	Regular Teachers	90,167,796	87,239,895
	021	Student Assistants	2,652,411	2,502,164
	022	Substitute Teachers	4,114,444	3,563,960
	030	Pupil Transportation		
	031	Board Owned	9,314,800	9,157,653
	032	Contracted	1,139,603	1,128,353
	033	Special Needs	505,127	495,496
			134,502,460	129,262,585
33	010	Donations		
	012	Cash Receipts	-	-
	013	Non Cash Receipts	-	-
	014	Restricted Use	-	-
34	010	Ancillary Services	-	-
	011	Revenue from Rental of Residences	-	-
	015	Interest on Schools	-	-
	021	Revenues from Rental of Schools and Facilities (Net)	-	-
	022	Internally Generated Funds - Snow Clearing and Other Incentives	36,000	36,000
	031	Cafeterias	-	-
	032	Other	-	-
			36,000	36,000

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30			2010	2009
Current Revenues				
35	010	Miscellaneous		
	011	Interest on Investments	25,736	94,806
	012	Bus Charters	306,668	329,156
	021	Recoveries of Expenditures	491,032	2,467,895
	051	Insurance Proceeds	9,068	-
	081	Miscellaneous Federal Grant	59,648	45,938
	091	Textbooks	-	-
	092	Sundry	94,870	49,902
			986,002	2,987,697
36	011	Transfer from Capital		
		Total Current Revenues	$ 135,524,462	$ 132,286,282

Nova Central School District
Current Revenues

Schedule 1 (cont'd)

Year Ended June 30		2010		2009
Special Grants				
French Monitor	$	60,667	$	42,497
French Immersion		5,409		-
French Teacher Aide		36,528		43,038
French Supplementary Materials		46,884		-
CFT Teacher TP - French		-		15,058
CFT Administration TP - French		-		2,910
French - ICF Resources		5,888		5,445
French - ICF Follow up		-		486
St. Pierre Trips		62,102		49,577
French - Recruitment and Training		7,911		4,874
French Camps		68,537		77,714
Kinderstart		17,800		2,767
Tutoring/Work Experience		41,947		37,335
Tutoring/Work Experience - CDLI		38,191		33,254
CDLI		105,963		56,117
Fine Arts		6,691		-
Positive Behaviours		14,681		34,205
Cultural Connections - PD		-		60,000
Early Childhood		9,415		1,586
Teacher Induction		-		1,500
Math Initiatives		43,488		33,199
Math Leadership		-		16,803
Math Research		-		21,234
Art Works Conference		32,772		-
Numeracy Support		30,616		30,180
Provincial Drama Festival		-		46,100
Healthy Schools		78,159		31,196
Training Initiatives-Special Education		87,732		21,370
French Intermediate Small Schools		2,897		-
Apprenticeship Scholarships		5,000		-
Multi-Age Handbook		2,794		2,602
International Student Fund		5,000		-
Music Equipment		128,242		-
Apprenticeship Program (Salaries)		88,446		-
Intermediate Library Initiative		25,860		-
Enhanced Inspections		55,110		-
Whiteboards		140,578		-
Bus Depots - Life Safety Projects		95,431		-
School Board Elections		29,524		-
Miscellaneous Repairs and Maintenance		385,271		-
	$	1,765,494	$	671,047

Nova Central School District
Administration Expenditures

Schedule 2

Year Ended June 30			2010		2009
51	011	Salaries and Benefits - Director and Assistant Directors	$ 1,296,335		$ 1,149,738
	012	Salaries and Benefits - Board Office Personnel	1,813,383		1,705,616
	013	Office Supplies	60,169		64,675
	014	Replacement Furniture and Equipment	33,080		69,386
	015	Postage	45,389		43,990
	016	Telephone	93,637		114,268
	017	Office Equipment Rentals and Repairs	30,301		32,429
	018	Bank Charges	359		446
	019	Electricity	143,947		134,881
	021	Fuel	-		3,426
	022	Insurance	4,548		4,548
	023	Repairs and Maintenance (Office Building)	48,500		58,849
	024	Travel	109,651		142,168
	025	Board Meeting Expenses	60,679		60,814
	026	Election Expenses	29,524		-
	027	Professional Fees	84,403		104,918
	028	Advertising	69,106		58,563
	029	Membership Dues	70,921		67,498
	031	Municipal Taxes	41,483		38,639
	034	Miscellaneous	49,885		41,424
	035	Payroll Tax	28,195		25,356
Total Administration Expenditures			$ 4,103,365		$ 3,921,632

Nova Central School District
Instruction Expenditures

Schedule 3

Year Ended June 30			2010	2009
52	010	Instructional Salaries (Gross)		
	011	Teachers' Salaries - Regular	$ 76,252,442	$ 73,333,924
	012	- Substitute	4,248,234	3,447,732
	013	- Board Paid	-	-
	013	- Student Assistants	2,478,764	2,451,817
	014	Augmentation		
	015	Employee Benefits	13,907,090	13,905,971
	016	School Secretaries - Salaries and Benefits	2,388,823	2,377,790
	017	Payroll Tax	1,729,257	1,648,502
	018	IMC Salary	33,812	24,572
			$ 101,038,422	$ 97,190,308
52	040	Instructional Materials		
	041	General Supplies	$ 818,721	$ 785,431
	042	Library Resource Materials	85,204	92,021
	043	Teaching Aids	463,848	553,318
	044	Curriculum Initiatives	-	-
			$ 1,367,773	$ 1,430,770
52	060	Instructional Furniture and Equipment		
	061	Replacement	$ 782,371	$ 803,387
	062	Rentals and Repairs	229,960	246,895
			$ 1,012,331	$ 1,050,282
52	080	Instructional Staff Travel		
	081	Program Co-ordinators	$ 72,447	$ 79,894
	082	Teachers' Travel	286,325	275,403
	083	Inservice and Conferences	148,113	224,069
			$ 506,885	$ 579,366
	090	Other Instructional Costs		
52	091	Postage and Stationary		
	092	Miscellaneous	$ 1,093,584	$ 763,899
			$ 1,093,584	$ 763,899
			$ 105,018,995	$ 101,014,625

Nova Central School District
Operations and Maintenance Expenditures - Schools

Schedule 4

Year Ended June 30				2010		2009
53	011	Salaries and Benefits - Janitorial		$ 3,825,286		$ 3,783,446
	012	Salaries and Benefits - Maintenance		2,167,854		2,122,994
	013	Payroll Tax		78,202		123,374
	014	Electricity		3,062,981		3,337,779
	015	Fuel		656,601		618,910
	016	Municipal Service Fees		282,762		241,566
	017	Telephone		385,028		355,880
	018	Vehicle Operating and Travel		166,325		185,276
	019	Janitorial Supplies		311,411		306,010
	021	Janitorial Equipment		88,072		98,873
	022	Repairs and Maintenance	- Building	1,262,331		2,129,050
	023		- Equipment	4,427		14,183
	024	Contracted Services - Janitorial		277,666		247,909
	025	Snow Clearing		463,639		599,277
	027	Other		958,701		1,510,808
Total Operations and Maintenance Expenditures				$ 13,991,185		$ 15,675,335

Nova Central School District
Pupil Transportation Expenditures

Schedule 5

Year Ended June 30		2010	2009
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries and Benefits - Administration	$ 218,780	$ 213,002
012	Salaries and Benefits - Drivers and Mechanics	5,861,084	5,581,345
013	Payroll Tax	98,875	87,957
014	Debt Repayment - Interest	77,609	189,072
015	- Principal	1,026,309	1,026,309
016	Bank Charges	-	-
017	Gas and Oil	1,114,323	1,065,116
018	Licences	107,790	109,033
019	Insurance	106,450	106,375
021	Repairs and Maintenance - Fleet	653,101	571,465
022	- Building	60,088	61,885
023	Tires and Tubes	89,327	81,206
024	Heat and Light	65,290	71,439
025	Municipal Services	8,768	7,881
026	Snow Clearing	31,825	35,200
027	Office Supplies	21,000	21,564
029	Travel	11,877	16,114
031	Professional Fees	7,500	7,500
032	Miscellaneous	85,850	185,853
033	Telephone	52,307	55,845
		$ 9,698,153	$ 9,494,161
54 040	Contracted Services		
041	Regular Transportation	1,139,603	$ 1,128,353
042	Handicapped	505,127	$ 495,496
		1,644,730	1,623,849
Total Pupil Transportation Expenditures		$ 11,342,883	$ 11,118,010

Nova Central School District
Ancillary Services and Miscellaneous Expenses

Year Ended June 30			2010	2009

Ancillary Services — Schedule 6

			2010	2009
55		Ancillary Services		
	011	Operations of Teachers' Residence	$ -	$ -
	013	Janitorial	-	-
	031	Cafeterias	39,398	39,117
	032	Other	-	-
			$ 39,398	$ 39,117

Miscellaneous Expenses — Schedule 7

The Board has incurred the following miscellaneous expenses:

			2010	2009
57	001	Miscellaneous	-	-
			$ -	$ -

Nova Central School District
Details of Property and Equipment

Schedule 8

Year Ended June 30, 2010

	Balance June 30, 2009	Adjustment/ Transfer Current Year	Additions 2010	Disposals 2010	Balance June 30, 2010
Land and Sites					
12 210 Land and Sites					
211 Land and Sites	2,717,905	-	44,765	-	2,762,670
12 212 Land Improvements	2,717,905	-	44,765	-	2,762,670
12 220 Buildings					
221 Schools	140,615,102	-	12,020,731	520,836	152,114,998
222 Administration	4,708,518	-	190,413	-	4,898,931
223 Residential	-	-	-	-	-
224 Recreation	-	-	-	-	-
225 Other - Maintenance	136,323	-	-	-	136,323
	145,459,943	-	12,211,144	520,836	157,150,252
12 230 Furniture & Equipment					
231 Schools	20,259,754	-	105,078	-	20,364,832
232 Administration	2,023,839	-	-	-	2,023,839
233 Residential	-	-	-	-	-
234 Recreation	-	-	-	-	-
235 Other - Maintenance	14,728	-	-	-	14,728
	22,298,321	-	105,078	-	22,403,399
12 240 Vehicles					
241 Service Vehicles	244,966	-	96,009	64,287	275,688
12 250 Pupil Transportation					
251 Land	60,817	-	-	-	60,817
252 Building	853,699	-	-	-	853,699
253 Vehicles - Buses	14,093,333	-	-	179,881	13,913,452
254 - Service	227,888	-	-	7,000	220,888
255 Equipment	69,840	-	-	-	69,840
256 Other	-	-	-	-	-
	15,305,577	-	-	186,881	15,118,696
12 260 Miscellaneous Capital Assets					
261 Other	-	-	-	-	-
Total Property & Equipment	$186,026,712	$ -	$12,456,996	$ 772,003	$ 197,710,705

Land, buildings and equipment have been recorded in the accounts at estimated values at January 1, 1997. Additions since that date have been recorded at cost. Lands and sites on which some of the buildings are erected are vested in the former school boards or denominational education councils or churches. All real and personal property used for the purpose of education by Nova Central School District will be subject to the terms and conditions contained in Section 84 of the 1997 Schools Act.

Nova Central School District
Details of Long Term Debt

Schedule 9

Year Ended June 30, 2010

Bank loans, mortgages and debentures, approved by the
Board and the Government of Newfoundland and Labrador

22 210 Loans Other Than Pupil Transportation

Ref.#		
211 Bank Loans		
___Repayable $ 15,452 monthly, maturing 2015	$	784,238
___Repayable $___ monthly, maturing		-
___Repayable $_____ monthly, maturing		-
___Repayable $_____ monthly, maturing		-
___Repayable $_____ monthly, maturing		-
Total 211	$	784,238
212 Mortgages		
___Repayable $_____ monthly, maturing		-
___Repayable $_____ monthly, maturing		-
___Repayable $_____ monthly, maturing		-
		-
Total 212		
213 Vehicles		-
___Repayable $ 555.10 monthly, maturing 2011		7,674
Total 213		7,674
Subtotal		791,912
215 Less: Current Maturities		191,931
Total Loans Other Than Pupil Transportation	$	599,981

Nova Central School District
Details of Long Term Debt

Schedule 9 (cont'd)

Year Ended June 30, 2010

##

22 220 Loans - Pupil Transportation

Ref.#

221 Vehicle Bank Loans		
Prime-1% Repayable $2,677 monthly, maturing 2011	$	24,093
Prime-1% Repayable $1,537 monthly, maturing 2011		24,585
Prime-1% Repayable $3,648 monthly, maturing 2012		83,897
Prime-1% Repayable $6,277 monthly, maturing 2013		232,252
Prime-1% Repayable $1,125 monthly, maturing 2014		59,636
Prime-1% Repayable $2,914 monthly, maturing 2015		166,194
Prime-1% Repayable $3,794 monthly, maturing 2016		288,352
Prime-1% Repayable $1,549 monthly, maturing 2011		6,195
Prime-1% Repayable $2,083 monthly, maturing 2011		22,917
Prime-1% Repayable $5,211 monthly, maturing 2011		57,321
Prime-1% Repayable $2,090 monthly, maturing 2013		75,260
Prime-1% Repayable $2,738 monthly, maturing 2014		131,402
Prime-1% Repayable $2,793 monthly, maturing 2015		159,218
Prime-1% Repayable $1,084 monthly, maturing 2016		81,303
Prime-1% Repayable $ 21,563 monthly, maturing 2017		1,832,860
Prime-1% Repayable $ 24,443 monthly, maturing 2019		2,370,975
Subtotal		5,616,460
223 Less: Current Maturities		1,026,310
Total Loans - Pupil Transportation		4,590,150
Total Long Term Debt	$	5,190,131

Nova Central School District
Summary of Long Term Debt

Schedule 9A

June 30, 2010

Description	Ref.#	Rate	Balance June 30 2009	Loans Obtained During Period	Principal Repayment for Period	Balance June 30 2010
A) 1. School Construction		Prime - 1%	$ -	$ -	$ -	$ -
2. Restructuring		Prime - 1%	-	-	-	-
B) Equipment			-	-	-	-
C) Service Vehicle			16,794	-	9,120	- 7,674
D) Other - Energy Performance Contracting		Prime - 1%	969,668	-	185,430	- 784,238
E) Pupil Transportation		Prime - 1%	6,642,770	-	1,026,310	5,616,460
Total Loans			$ 7,629,232	$ -	$ 1,220,860	$ 6,408,372
Less: Current Maturities			1,220,741			1,218,241
Total Loans			$ 6,408,491	$ -	$ 1,220,860	$ 5,190,131

Nova Central School District
Schedule of Current Maturities

Schedule 9B

June 30, 2010

Description	2011	2012	2013	2014	2015
A) School Construction	$ 185,431	185,431	185,431	185,431	42,514
B) Equipment	-	-	-	-	-
C) Service Vehicles	6,500	1,174	-	-	-
D) Other	-	-	-	-	-
E) Pupil Transportation	1,026,310	869,629	825,852	825,852	825,852
Total	$1,218,241	$ 1,056,234	$ 1,011,283	$ 1,011,283	$ 868,366

Nova Central School District
Schedule of Interest Expenses

Schedule 9C

Year Ended June 30		2010		2009
Description				
012 Capital				
School Construction Restructuring	$	-		0
Equipment		-		-
Service Vehicles		411		1,169
Other		-		-
Pupil Transportation		-		-
Total Capital		411		1,169
013 Current - Operating Loans		-		-
- Supplier Interest Charges		301		158
Total Current		301		158
Total Interest Expense	$	712	$	1,327

Nova Central School District
Supplementary Information

Year Ended June 30			2010	2009
1.		**Cash**		
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 700	$ 835
	112	Bank - Current	7,013,471	5,434,647
	114	- Teachers' Payroll	8,387	12,875
	115	- Support Staff Payroll	237,419	92,490
		Capital		
11	210	Cash on Hand and in Bank	-	-
	211	Cash on Hand	-	-
	212	Bank - Current	-	-
	213	- Savings	-	-
	214	- Other	-	-
Total Cash on Hand and in Bank			$ 7,259,977	$ 5,540,847
2.		**Short Term Investments**		
		Current		
11	121	Term Deposits	$ -	$ -
	122	Canada Savings Bonds	-	-
	123	Other	-	-
			-	-
		Capital		
11	221	Term Deposits	-	-
	222	Canada Savings Bonds	-	-
	223	Other	-	-
Total Short Term Investments			$ -	$ -

Nova Central School District
Supplementary Information (Con't)

Year Ended June 30			2010	2009
3.	**Prepaid Expenses**			
	Current			
11 141	Insurance			
142	Municipal Service Fees		$ 158,620	122,408
143	Supplies			
144	Other	- WHSCC	359,468	228,701
		- Travel		
		- Miscellaneous	134,104	81,408
	Capital			
11 241	Other (School Buses)			
			$ 652,192	$ 432,517

OFFICE OF THE HIGH SHERIFF
OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the High Sheriff of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2010 and the statement of operations for the year then ended. These financial statements have been prepared to meet the information needs of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The financial statements are the responsibility of the High Sheriff. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2010 and the results of its operations for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador to meet their information needs under Section 10 of the *Sheriff's Act, 1991*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
24 June 2010

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET
31 March

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2010	2009
ASSETS					
Cash	$ 91,107	$ 9,530	$ 15,785	$ 116,422	$ 154,861
Accounts receivable	160	136,967	4,219	141,346	99,209
Inventory held in trust (Note 1)	1	-	-	1	-
	$ 91,268	$ 146,497	$ 20,004	$ 257,769	$ 254,070
LIABILITIES					
Trust account, court orders	$ 91,268	$ -	$ -	$ 91,268	$ 128,275
Due to Consolidated Revenue Fund	-	146,497	4	146,501	105,795
Trial and jury account, accountable advance	-	-	20,000	20,000	20,000
	$ 91,268	$ 146,497	$ 20,004	$ 257,769	$ 254,070

See accompanying notes

Signed on behalf of the Office: Cecil T Boone Q.C.

High Sheriff

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS
For the Year Ended 31 March

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2010	2009
REVENUES					
Court orders	$ 3,485,635	$ -	$ -	$ 3,485,635	$ 3,420,645
Service fees	-	1,979,946	-	1,979,946	1,991,374
Registration fees, court orders	-	218,181	-	218,181	207,820
Replenishment of trial and jury bank account	-	-	22,806	22,806	13,707
Interest	1,664	-	63	1,727	4,981
	$ 3,487,299	$ 2,198,127	$ 22,869	$ 5,708,295	$ 5,638,527
EXPENSES					
Court orders	$ 3,485,635	$ -	$ -	$ 3,485,635	$ 3,420,645
Consolidated Revenue Fund	789	2,198,127	63	2,198,979	2,203,300
Trial and jury expenses	-	-	22,806	22,806	13,707
Bank fees	875	-	-	875	875
	$ 3,487,299	$ 2,198,127	$ 22,869	$ 5,708,295	$ 5,638,527

See accompanying notes

Authority

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act* and *Regulations*, implemented 1 June 1997 and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

1. Basis of accounting

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland and Labrador in accordance with the significant accounting policies set out below to meet the information needs of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office are reflected in these statements.

Significant accounting policies

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff of Newfoundland and Labrador, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for those expenditures.

(b) Inventory held in trust

Inventory held in trust consists of real or personal property seized by the Office of the High Sheriff of Newfoundland and Labrador as the result of a Court order. When inventory is on hand at year end, it is recorded in these financial statements at a nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office of the High Sheriff of Newfoundland and Labrador at an estimated value for administrative purposes.

2. Trust Fund

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

3. Revenue Fund

Revenues collected for various services provided by the Office of the High Sheriff of Newfoundland and Labrador are deposited directly to the Province's Consolidated Revenue Fund.

4. Trial and Jury Fund

The Office of the High Sheriff of Newfoundland and Labrador is responsible for jury administration in the Province and maintains a recurring accountable advance of $20,000 to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice.

5. Related party transactions

Service fees, search fees and registration fees collected, and interest earned, net of bank fees, are paid into the Province's Consolidated Revenue Fund.

6. Income taxes

The Office of the High Sheriff of Newfoundland and Labrador is a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the High Sheriff of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Office of the High Sheriff of Newfoundland and Labrador, which comprise the balance sheet as at 31 March 2011, and the statement of revenues and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 10 of the *Sheriff's Act, 1991*, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the High Sheriff of Newfoundland and Labrador as at 31 March 2011, and its revenues and expenses for the year then ended in accordance with the accounting policies described in note 1 to these financial statements.

Other Matters

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador to meet their information needs under Section 10 of the *Sheriff's Act, 1991*. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

JOHN L. NOSEWORTHY, CA
Auditor General

25 July 2011
St. John's, Newfoundland and Labrador

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET
31 March

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2011	2010
ASSETS					
Cash	$ 74,680	$ 7,994	$ 16,422	$ 99,096	$ 116,422
Accounts receivable	2,448	131,153	5,932	139,533	141,346
Inventory held in trust (Note 1)	1	-	-	1	1
	$ 77,129	$ 139,147	$ 22,354	$ 238,630	$ 257,769
LIABILITIES					
Accounts payable	$ -	$ -	$ 2,339	$ 2,339	$ -
Trust account, court orders	77,060	-	-	77,060	91,268
Due to Consolidated Revenue Fund	69	139,147	15	139,231	146,501
Trial and jury account	-	-	20,000	20,000	20,000
	$ 77,129	$ 139,147	$ 22,354	$ 238,630	$ 257,769

Contingent liability (Note 5)

See accompanying notes

Signed on behalf of the Office: ______________________

High Sheriff

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended 31 March

	Trust Fund (Note 2)	Revenue Fund (Note 3)	Trial and Jury Fund (Note 4)	2011	2010
REVENUES					
Court orders	$ 3,084,648	$ -	$ -	$ 3,084,648	$ 3,485,635
Service fees	-	1,922,266	-	1,922,266	1,979,946
Registration fees, court orders	-	168,004	-	168,004	218,181
Replenishment of trial and jury bank account	-	-	30,514	30,514	22,806
Interest	2,427	-	145	2,572	1,727
	$ 3,087,075	$ 2,090,270	$ 30,659	$ 5,208,004	$ 5,708,295
EXPENSES					
Court orders	$ 3,084,648	$ -	$ -	$ 3,084,648	$ 3,485,635
Consolidated Revenue Fund	1,032	2,090,270	145	2,091,447	2,198,979
Trial and jury expenses	-	-	30,514	30,514	22,806
Bank fees	1,395	-	-	1,395	875
	$ 3,087,075	$ 2,090,270	$ 30,659	$ 5,208,004	$ 5,708,295

See accompanying notes

Authority

The Office of the High Sheriff of Newfoundland and Labrador operates under the authority of the *Judgment Enforcement Act* and *Regulations*, implemented 1 June 1997 and the *Sheriff's Act, 1991*. The Office is the enforcement arm of the Supreme Court of Newfoundland and Labrador and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgments issued by these Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the jury system and court security.

1. Basis of accounting

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland and Labrador in accordance with the summary of significant accounting policies set out below to meet the information needs of the Office of the High Sheriff of Newfoundland and Labrador and the Government of Newfoundland and Labrador under Section 10 of the *Sheriff's Act, 1991*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because revenues related to Court orders are being recognized on a cash basis and not all expenditures related to the operations of the Office are reflected in these statements.

Summary of significant accounting policies

These financial statements have been prepared on the accrual basis of accounting except for Court order revenues which are recorded on a cash basis. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the High Sheriff of Newfoundland and Labrador, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for those expenditures.

(b) Inventory held in trust

Inventory held in trust consists of real or personal property seized by the Office of the High Sheriff of Newfoundland and Labrador as the result of a Court order. When inventory is on hand at year end, it is recorded in these financial statements at a nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the records of the Office of the High Sheriff of Newfoundland and Labrador at an estimated value for administrative purposes.

2. Trust Fund

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

3. Revenue Fund

Revenues collected for various services provided by the Office of the High Sheriff of Newfoundland and Labrador are deposited directly to the Province's Consolidated Revenue Fund.

4. Trial and Jury Fund

The Office of the High Sheriff of Newfoundland and Labrador is responsible for jury administration in the Province and maintains a recurring accountable advance of $20,000 to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice.

5. Contingent liability

The Office of the High Sheriff is aware of a potential claim for personal injuries sustained by a complainant at the holding cells of the Provincial Court located in Atlantic Place. While the complainant has obtained legal counsel no Statement of Claim has been issued against the Office of the High Sheriff. Therefore, the likelihood of loss is not determinable and the amount of the loss cannot be reasonably estimated.

6. Related party transactions

Service fees, search fees and registration fees collected, and interest earned, net of bank fees, are paid into the Province's Consolidated Revenue Fund.

7. Income taxes

The Office of the High Sheriff of Newfoundland and Labrador is a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

PRIVATE TRAINING CORPORATION

TRAIN OUT FUND

FINANCIAL STATEMENTS

31 DECEMBER 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Private Training Corporation
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Private Training Corporation Train Out Fund which comprise the statement of financial position as at 31 December 2010, the statement of revenue, expenses and surplus and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Private Training Corporation Train Out Fund as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

30 March 2011
St. John's, Newfoundland and Labrador

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF FINANCIAL POSITION

31 December	2010	2009
ASSETS		
Current		
Cash	$ 46,965	$ 91,202
Short-term investments, at cost (Note 2)	920,292	1,116,755
Investment income receivable	37,100	18,506
Accounts receivable from private training institutions	74,772	68,428
	1,079,129	1,294,891
Long-term investments (Note 3)	1,871,058	1,290,292
	$ 2,950,187	$ 2,585,183
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 10,805	$ 12,111
Surplus	2,939,382	2,573,072
	$ 2,950,187	$ 2,585,183

See accompanying notes

Signed on behalf of the Corporation: Don Stapleton
for **Chairperson** **Director**

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF REVENUE, EXPENSES AND SURPLUS
For the Year Ended 31 December

	2010	2009
REVENUE		
Contributions from private training institutions	$ 338,126	$ 292,482
Investment income	40,976	52,174
	379,102	344,656
EXPENSES		
Board expenses (Note 4)	5,300	7,713
Office expense	2,112	2,366
Professional fees	5,380	5,380
	12,792	15,459
Excess of revenue over expenses	366,310	329,197
Surplus, beginning of year	2,573,072	2,243,875
Surplus, end of year	$ 2,939,382	$ 2,573,072

See accompanying notes

PRIVATE TRAINING CORPORATION
TRAIN OUT FUND
STATEMENT OF CASH FLOWS

For the Year Ended 31 December	**2010**	**2009**
Cash flows from operating activities		
Excess of revenue over expenses	**$ 366,310**	$ 329,197
Change in non-cash working capital		
Investment income receivable	**(18,594)**	9,690
Accounts receivable from private training institutions	**(6,344)**	(6,703)
Accounts payable and accrued liabilities	**(1,306)**	(4,865)
	340,066	327,319
Cash flows from investing activities		
Purchase of long-term investments	**(580,766)**	(1,290,292)
Net increase (decrease) in cash and cash equivalents	**(240,700)**	(962,973)
Cash and cash equivalents, beginning of year	**1,207,957**	2,170,930
Cash and cash equivalents, end of year	**$ 967,257**	$ 1,207,957
Cash and cash equivalents include:		
Cash	**$ 46,965**	$ 91,202
Short-term investments	**920,292**	1,116,755
	$ 967,257	$ 1,207,957

See accompanying notes

Authority

The Private Training Corporation (the Corporation), established 1 January 1999, operates under the authority of the *Private Training Institutions Act*. The purpose of the Corporation is to operate the Train Out Fund to provide compensation to students to complete their training where a private training institution fails to fulfill its training to students due to closure, and to monitor the financial operations of all private training institutions. Private training institutions make contributions to the Fund based on a percentage of the student tuition.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles.

2. Short-term investments

Short-term investments of $920,292 (2009 - $1,116,755) in guaranteed investment certificates are valued at cost which approximates market value because of their current nature. Maturity dates range from 4 February 2011 to 2 June 2011 with interest rates from 1.35% to 1.85%.

3. Long-term investments

Long-term investments of $1,871,058 (2009 - $1,290,292) in guaranteed investment certificates are valued at cost which approximates market value because of their nature. Maturity dates range from 13 February 2012 to 18 September 2012 with interest rates from 1.40% to 1.85%.

4. Related party transaction

Board expenses of $5,300 (2009 - $7,713) includes $5,300 (2009 - $5,300) that the Corporation reimburses the Department of Education for performance of certain duties related to the administration of the Train Out Fund.

5. Financial instruments

The Corporation's financial instruments recognized on the statement of financial position consist of cash, short-term investments, investment income receivable, accounts receivable from private training institutions, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Any estimated impairment of accounts receivable would have been provided for through an allowance for doubtful accounts and no further credit risk exists in relation to the financial instruments.

The Corporation also holds long-term investments. The policy and intention of the Board is to hold these long-term investments to maturity. Therefore, their reported value is current fair value to the Corporation and there is no rate risk associated with these investments.

PROVINCE OF NEWFOUNDLAND AND LABRADOR
POOLED PENSION FUND

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Trustee
Province of Newfoundland and Labrador
Pooled Pension Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the the accompanying consolidated financial statements of the Province of Newfoundland and Labrador Pooled Pension Fund which comprise the consolidated statement of net assets available for benefits as at 31 December 2010 and the consolidated statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Newfoundland and Labrador Pooled Pension Fund as at 31 December 2010 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
24 June 2011

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

31 December	**2010**	**2009**
	(000's)	(000's)
ASSETS		
Investments (Note 2)		
Short-term notes and deposits	**$ 74,020**	$ 86,889
Bonds and debentures	**1,146,909**	1,139,604
Equities - Canadian	**2,446,976**	2,224,657
- Foreign	**2,622,333**	2,391,252
Real estate (Note 3)	**233,142**	185,350
	6,523,380	6,027,752
Receivables		
Employee contributions	**6,112**	5,319
Employer contributions	**5,440**	5,013
Accrued investment income	**12,485**	12,535
Accounts receivable	**1,011**	568
	25,048	23,435
Cash	**18,109**	17,955
Prepaid expenses	**189**	187
Deferred charges	**3,441**	3,138
	6,570,167	6,072,467
LIABILITIES		
Accounts payable and accrued liabilities	**7,953**	8,194
Refunds payable	**698**	1,152
Due to Province of Newfoundland and Labrador	**916**	589
Mortgages payable (Note 4)	**84,383**	67,673
	93,950	77,608
NET ASSETS AVAILABLE FOR BENEFITS	**$ 6,476,217**	**$ 5,994,859**

See accompanying notes

Signed on behalf of the Fund:

Minister of Finance
and President of Treasury Board
Trustee

Chairperson
Pension Investment Committee

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended 31 December

	Public Service Pension Plan	Teachers' Pension Plan	Uniformed Services Pension Plan	Members of the House of Assembly Pension Plan	Provincial Court Judges' Pension Plan	2010 Total	2009 Total
	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)	(000's)
Increase (decrease) in net assets from:							
Investments (Note 5)							
Investment income	$ 95,909	$ 67,604	$ 4,352	$ 347	$ 91	$ 168,303	$ 182,045
Gain (loss) on sale of investments	123,223	86,742	5,587	446	119	216,117	(132,167)
Current period change in market value of investments	172,494	119,218	7,654	601	180	300,147	907,278
	391,626	273,564	17,593	1,394	390	684,567	957,156
Contributions							
Employee	123,890	45,640	4,195	487	250	174,462	162,338
Employer (Note 6)	109,753	40,349	4,085	302	154	154,643	159,212
Special payments	-	-	-	-	-	-	100,181
	625,269	359,553	25,873	2,183	794	1,013,672	1,378,887
Other changes in net assets							
Pensions	(238,390)	(236,508)	(18,690)	(545)	(32)	(494,165)	(468,695)
Refund of contributions with interest	(15,196)	(4,967)	(774)	(322)	-	(21,259)	(19,639)
Administrative costs (Note 7)	(9,503)	(6,880)	(461)	(37)	(9)	(16,890)	(15,724)
	(263,089)	(248,355)	(19,925)	(904)	(41)	(532,314)	(504,058)
Total increase in net assets	362,180	111,198	5,948	1,279	753	481,358	874,829
Net assets available for benefits, beginning of year	3,366,694	2,455,972	157,523	11,705	2,965	5,994,859	5,120,030
Net assets available for benefits, end of year	$ 3,728,874	$ 2,567,170	$ 163,471	$ 12,984	$ 3,718	$ 6,476,217	$ 5,994,859

See accompanying notes

Authority and description

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created 1 July 1980 under the authority of the *Pensions Funding Act* for the purpose of providing for the funding of pension plans sponsored by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the *Act* states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

(a) Public Service Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and Labrador, the Legislature and various Crown corporations, agencies and commissions created by or under a statute of the Province.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 8.6% of the Canada Pension Plan (CPP) basic exemption, plus 6.8% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.6% of the employee's salary in excess of the YMPE, up to a maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(iii) Accrued service pensions (cont.)

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on the number of years of pensionable service times 2% of the member's best five years average salary.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 October 2002 and each 1 October thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit.

(b) Teachers' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and Labrador and full-time employees of the Newfoundland and Labrador Teachers' Association.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 9.35% of salary, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991. When a member who retired after 31 August 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 September 2002 and each 1 September thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the teacher to whom that pension or benefit relates retires after 31 August 1998.

(c) Uniformed Services Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

(ii) Employee contributions

Employee contributions are equal to 9.95% of the CPP basic exemption, plus 8.15% of the employee's salary between the CPP basic exemption and the YMPE under the CPP, plus 9.95% of the employee's salary in excess of the YMPE.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, the survivor pension is 55% of the member's accrued service pension.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or the commuted value.

(d) Members of the House of Assembly Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan for Members of the House of Assembly (MHAs). Members may elect not to participate in the Plan for their first term.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(ii) Member contributions

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43rd General Assembly and after twenty years of service if elected since that time.

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. This amendment provided that for Members elected prior to 1 January 2010, their pensionable salary effective 1 July 2007 would be equal to 81.2% of the salary authorized to be paid to an MHA under section 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*. The pensionable salary for Members elected after 31 December 2009 would be the salary authorized under subsection 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*.

(iii) Calculation of allowances on retirement

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance as follows:

For Members elected for the first time before or during the 43rd General Assembly, the percentage is calculated at 5% for each of the first ten years, 4% for each of the next five years, 2.5% for each of the next two years and 2% for each year of other service. Ministers receive an additional allowance calculated similarly and based on service and salary as a Minister (excluding Member's salary).

For Members elected for the first time after the 43rd General Assembly and prior to 1 January 2010, the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2% for each year of other service.

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. These amendments provided for a new benefit accrual rate and new eligibility criteria for Members first elected to the House of Assembly after 31 December 2009. The annual accrual benefit rate for the new Member would be 3.5% to a maximum of 20 years service. The new Member would have to reach age 55 before being eligible for an unreduced pension. A new Member who retires between the ages of 50 and 54 would be eligible for a pension that would be reduced by 6% for each year that the Member is under the age of 55.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(iii) Calculation of allowances on retirement (cont.)

These allowances are paid as follows:

Under the Registered Plan the allowance is the product of 2% of MHA's and minister's salary for the best three calendar years. When a Member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the Member's average YMPE times years of service between 1 January 1998 and 31 December 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated allowance does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested Member who is no longer an MHA or a minister can receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. When a Member reaches age 65, the amount of the supplementary allowance is reduced by 0.6% of the Member's average YMPE times years of service after 1 April 1967 (service between 1 January 1998 and 31 December 2004 excluded).

(iv) Disability allowance

A disability allowance equal to the amount of the registered allowance the Member would have been eligible to receive at 65 years of age is available if a Member becomes permanently disabled. Additional supplementary benefits are also available on disability.

(v) Survivor benefits

A survivor benefit equal to 60% of the Member's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(vi) Pre-retirement death benefits

If a Member dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the Member's entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan Member's estate.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(vii) Termination benefits

A Member who is no longer an MHA or a minister and who has been elected to only one general assembly or who has less than five years of service may elect to receive a refund of his or her contributions with interest.

A vested Member who is no longer an MHA or a minister may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, or receive a deferred registered allowance. Also, the Member may receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred supplementary allowance.

(e) Provincial Court Judges' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after 1 April 2002, and to a judge who elected on or before 1 April 2002 to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

Authority and description (cont.)

(e) Provincial Court Judges' Pension Plan (cont.)

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid to a vested judge on normal retirement is the product of 3.33% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years.

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada). The remaining allowance is paid from the Supplementary Plan.

Normal retirement date is the first day of the month following the judge's 65th birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(v) Pre-retirement death benefits

If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement. Where a survivor pension is not payable, the commuted value of the entitlement is paid to the deceased judge's estate.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

Authority and description (cont.)

(e) Provincial Court Judges' Pension Plan (cont.)

(vii) Indexing

Effective 1 October 2002 and each 1 October thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual allowance or survivor benefit.

1. Summary of significant accounting policies

These consolidated financial statements have been prepared by the Fund's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present the aggregate financial position of the Fund as a separate financial reporting entity including the operations of its subsidiary Newvest Realty Corporation. They are prepared to assist plan members and others in reviewing the activities of the Fund for the fiscal period. Outlined below are the significant accounting policies followed.

(a) Principles of consolidation

These consolidated financial statements include the assets, liabilities and the changes in net assets of the Fund and Newvest Realty Corporation, a wholly-owned subsidiary incorporated on 9 August 2001 under the *Canada Business Corporations Act* to invest monies received from the Fund in Canadian real estate property. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. Inter-entity transactions and balances have been eliminated in these consolidated financial statements.

(b) Gains and losses on investments

The cost of sales for all investment dispositions is calculated as the weighted average of their costs.

1. Summary of significant accounting policies (cont.)

(c) Investment income

Investment income is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan based on the previous month's balance related to the total fund. The proportionate share of investment income is then attributed to each plan.

Investment income consists of the following:

(i) Dividend income which is recognized as of the date of record for North American equities and as of the date of receipt for non-North American equities.

(ii) Bank interest and interest on bonds and debentures, and short-term notes and deposits, which is recognized as it is earned.

(iii) Real estate income which is recognized on consolidation of Newvest Realty Corporation.

(iv) Foreign exchange gains or losses.

(d) Current period change in the market value of investments

The current period change in the market value of investments is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis. The proportionate share of current period change in the market value of investments is then attributed to each plan.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Management believes that the estimates utilized in preparing these consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

2. Investments

All investments are valued as follows:

(a) Short-term notes and deposits are valued at book value which approximates market value.

(b) Bonds and debentures are valued at the mean or the average price at the valuation date.

2. Investments (cont.)

(c) Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on valuation date, the price of the last board lot bid price is quoted.

(d) The Fund holds its real estate investments through its sole ownership interest in Newvest Realty Corporation. Income producing properties are presented in these financial statements at their appraised values in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Kennedy. Any properties acquired by the Corporation in the current year have not been appraised and are therefore recorded at cost. Any increases or decreases in value resulting from the appraisal process are reflected in the Fund's financial statements on consolidation.

3. Real estate investments

The Fund's investment in real estate as at 31 December 2010, is comprised of real estate investments held by its wholly owned subsidiary, Newvest Realty Corporation, as follows:

	2010 (000's)	2009 (000's)
Assets		
Income producing properties (Appraised Value)	$ 233,142	$ 185,350
Other assets	10,174	11,980
Total assets	$ 243,316	$ 197,330
Liabilities and Equity		
Mortgages payable (Appreciated Value)	$ 84,383	$ 67,673
Other liabilities	5,350	7,142
Shareholder's equity	153,583	122,515
Total liabilities and equity	$ 243,316	$ 197,330
Income, Expenses and Shareholder's Equity		
Income	$ 20,920	$ 20,740
Operating expenses	(7,395)	(7,622)
Operating income (at cost)	13,525	13,118
Other expenses	(5,058)	(5,168)
Net income for the year (at cost)	8,467	7,950

3. Real estate investments (cont.)

	2010 (000's)	2009 (000's)
Current period change in market value of income producing properties	13,379	(19,556)
Current period change in market value of mortgages	(2,428)	440
	10,951	(19,116)
Net income (loss) for the year (at appraised and appreciated values)	19,418	(11,166)
Shareholder's equity, beginning of year	122,515	138,481
Shares issued for cash	18,200	-
Dividends declared	(6,550)	(4,800)
Shareholder's equity	$ 153,583	$ 122,515

4. Mortgages payable

Mortgages payable represent financing obtained by the Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Appreciated value is the mortgage's market value based on the discounted future cash payments using current or similar market interest rates. Details are as follows:

	2010		2009	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $26,705, including interest calculated at a rate of 5.58% per annum, maturing 1 July 2012, secured by a conventional first mortgage, a general security agreement, and a general assignment of rents.	$ 4,038	$ 4,177	$ 4,133	$ 4,268

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(b) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $131,658, including interest calculated at a rate of 5.215% per annum, maturing 1 September 2020, secured by a first mortgage on freehold land and improvements, a first-ranking general assignment of leases and/or rents, first-ranking specific assignments, and a security agreement.	**18,343**	**18,343**	18,880	18,879
(c) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	**15,891**	**16,874**	16,362	16,688
(d) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of $38,816, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	**5,806**	**6,036**	5,975	5,884

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(e) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of $53,718, including interest calculated at a rate of 5.743% per annum, maturing 1 September 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	**7,639**	**8,144**	7,844	7,950
(f) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest calculated at a rate of 5.28% per annum, maturing 1 December 2016, secured by a first mortgage and charge on the property, and a general security agreement.	**4,071**	**4,268**	4,174	4,105
(g) Faubourg Bois Franc, St. Laurent, Quebec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.	**10,176**	**10,501**	10,354	9,899

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value	**Appreciated Value**	Principal Value	Appreciated Value
	(000's)	**(000's)**	(000's)	(000's)
(h) 10201 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by the Standard Life Assurance Company of Canada, repayable in monthly installments of $33,491, including interest calculated at a rate of 6.50% per annum, maturing 1 July 2019, secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	**4,880**	**4,880**	-	-
(i) 10303 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by The Great-West Life Assurance Company, two mortgages: the first repayable in monthly installments of $29,835, including interest calculated at a rate of 4.159% per annum, maturing 1 December 2017; the second, an interest payment only mortgage, with monthly interest payments of $25,919 calculated at a rate of 5.47% per annum, maturing 1 December 2017. The first mortgage is secured by a pari-passu first mortgage on freehold land and improvements, first ranking general assignment of leases and/or rents of the lands, assignments of leases including specific assignment of major tenant leases.	**11,160**	**11,160**	-	-
	$ 82,004	**$ 84,383**	$ 67,722	$ 67,673

Annual principal repayments totalling $39.9 million (2009 - $43.0 million) to be made during the next five years are as follows:

	(000's)
2011	$ 2,160
2012	6,110
2013	2,290
2014	16,132
2015	13,166
	$ 39,858

5. Increase (decrease) in net assets, investments

	Investment income	**Gain on sale of investments**	**Current period change in market value of investments**	**2010 Total**	2009 Total
	(000's)	**(000's)**	**(000's)**	**(000's)**	(000's)
Canadian common equities	**$ 53,316**	**$ 156,746**	**$ 141,725**	**$ 351,787**	$ 536,595
Foreign common equities	**53,542**	**47,211**	**131,888**	**232,641**	317,042
Bonds and debentures	**51,380**	**11,819**	**15,614**	**78,813**	113,933
Short-term notes and deposits	**1,598**	**341**	**(31)**	**1,908**	752
Real estate	**8,467**	**-**	**10,951**	**19,418**	(11,166)
	$ 168,303	**$ 216,117**	**$ 300,147**	**$ 684,567**	$ 957,156

6. Funding policy

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract (see Note 9).

Also, the Province is required to pay into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

7. Administrative costs

Administrative costs are direct costs of the Department of Finance, Pensions Division, and are allocated to the various pension plans based on the previous month's equity balance related to the total Fund. Any direct costs related to a specific plan are charged accordingly. Administrative costs were comprised as follows:

	2010	2009
	(000's)	(000's)
Investment management, consulting and custodial fees	**$ 14,123**	$ 12,890
Salaries and benefits	**2,095**	2,169
Computer charges	**230**	209
Other expenses	**203**	249
Medical and professional fees	**197**	119
Actuarial consulting fees	**42**	88
	$ 16,890	$ 15,724

8. Teachers' Indexing Fund

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of 1 September 2002 shall be deposited to a separate account. As at 31 December 2010 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance, along with the closing balance of the Fund related to the Teachers' Regular Fund, are comprised as follows:

	2010 (000's)	2009 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	$ 7,283	$ 7,163
Investment income	6,650	8,049
	13,933	15,212
Decreases in net assets		
Pensions	25	22
Administrative costs	166	121
	191	143
Increase in net assets	13,742	15,069
Teachers' Indexing Fund balance, beginning of year	54,205	39,136
Teachers' Indexing Fund balance, end of year	67,947	54,205
Teachers' Regular Fund balance	2,499,223	2,401,767
Teachers' Pension Plan combined balance	$ 2,567,170	$ 2,455,972

9. Obligations for pension benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of the Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund. Actuarial valuations were performed for each plan as of the valuation dates noted below, by a firm of consulting actuaries. The unfunded liabilities at the most recent valuation date are shown in the following table. In addition, the table shows the unfunded liabilities for each plan as extrapolated by the actuaries to 31 December 2010.

		At Valuation Date				
Plan	**Valuation Date**	**Actuarial Present Value**	**Asset Value**	**Unfunded Liability**	**Extrapolated Unfunded Liability at 31 December 2010**	**Extrapolated Unfunded Liability at 31 December 2009**
		(000's)	**(000's)**	**(000's)**	**(000's)**	**(000's)**
Public Service Pension Plan	12/31/2006	$ 4,464,970	$ 2,630,150	$ 1,834,820	$ 2,041,760	$ 2,042,350
Teachers' Pension Plan	08/31/2009	3,702,190	2,380,380	1,321,810	1,261,540	1,193,380
Uniformed Services Pension Plan	12/31/2008	318,449	49,576	268,873	180,140	159,700
Members of the House of Assembly Pension Plan	12/31/2006	9,820	11,220	(1,400)	1,380	1,700
Provincial Court Judges' Pension Plan	12/31/2007	2,331	2,165	166	140	270
		$ 8,497,760	$ 5,073,491	$ 3,424,269	$ 3,484,960	$ 3,397,400

The actuarial present values for the Public Service Pension Plan, the Teachers' Pension Plan and the Uniformed Services Pension Plan include the effects of future pension benefits accruing to members for periods of prior service that are being purchased under contract. These contracts provide for deferred payment terms, subject to interest, and have not been recognized in the Fund's assets. As at 31 December 2010, the total estimated value of payments to be received on these contracts is $8.8 million (2009 -$7.5 million).

10. Related party transactions

The following related party investments were held by the Fund as at 31 December 2010:

Description	Face Value (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures		
- Series maturing 17 October 2033	$ 6,859	$ 7,707
Newfoundland and Labrador Hydro Debentures		
- Maturing 14 July 2017	1,377	1,283
	$ 8,236	$ 8,990

11. Portfolio management

In accordance with an agreement dated 28 September 2008, between the Minister of Finance as Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund and CIBC Mellon Global Securities Services, custodial and administrative services for the Fund were performed by CIBC Mellon Global Securities Services, as agent for the Trustee.

As at 31 December 2010, the external investment fund counselling group was comprised of the following firms:

Aurion Capital Management Inc.
Baillie Gifford Overseas Limited
Bentall Kennedy
Beutel, Goodman & Company Ltd.
Connor, Clark & Lunn Investment Management Ltd.
Genus Capital Management Inc.
Jacobs Levy Equity Management Inc.
Phillips, Hager & North Investment Management Ltd.
Sanford C. Bernstein and Company, LLC
Sprucegrove Investment Management Ltd.
Systematic Financial Management Limited Partnership
UBS Global Asset Management (Canada) Co.

12. Financial instruments

The Fund's financial instruments recognized in the Consolidated Statement of Net Assets Available for Benefits consist of investments, which are carried at market value, and receivables, cash, accounts payable and accrued liabilities, refunds payable, due to Province of Newfoundland and Labrador, and mortgages payable, the carrying values of which approximate current fair value due to their nature and the terms and conditions of those instruments.

13. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Provincial Advisory Council on the
Status of Women - Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador which comprise the balance sheet as at 31 March 2011 and the statement of revenues, expenses and surplus, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at 31 March 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

26 July 2011
St. John's, Newfoundland and Labrador

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

BALANCE SHEET

31 March	2011	2010
ASSETS		
Current		
Cash	$ 80,450	$ 72,066
Accounts receivable (Note 2)	4,370	5,060
Prepaid expenses (Note 3)	7,624	6,815
	92,444	83,941
Capital assets (Note 4)	19,530	12,564
	$ 111,974	$ 96,505
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 14,106	$ 14,330
Surplus	97,868	82,175
	$ 111,974	$ 96,505

Commitments (Note 5)

See accompanying notes

Signed on behalf of the Council: Linda Ross **President** Michelle Murdoch **Member**

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2011	2010
REVENUES		
Province of Newfoundland and Labrador operating grant	$ 451,823	$ 493,800
Interest	290	816
	452,113	494,616
EXPENSES		
Amortization	11,577	10,453
Council meetings	35,113	38,598
Operating expenses	41,046	65,122
Outreach	17,743	11,662
Rent	29,608	29,608
Salaries and employee benefits	301,333	281,159
	436,420	436,602
Excess of revenues over expenses	15,693	58,014
Surplus, beginning of year	82,175	24,161
Surplus, end of year	$ 97,868	$ 82,175

See accompanying notes

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
Cash flows from operating activities		
Excess of revenues over expenses	$ 15,693	$ 58,014
Adjustment for non-cash items		
Amortization	11,577	10,453
	27,270	68,467
Changes in non-cash working capital		
Accounts receivable	690	(1,441)
Prepaid expenses	(809)	(3,597)
Accounts payable and accrued liabilities	(224)	(425)
	26,927	63,004
Cash flows from investing activities		
Purchase of capital assets	(18,543)	(853)
	(18,543)	(853)
Net increase in cash	8,384	62,151
Cash, beginning of year	72,066	9,915
Cash, end of year	$ 80,450	$ 72,066

See accompanying notes

Authority

The Provincial Advisory Council on the Status of Women - Newfoundland and Labrador (the Council) was established under the *Status of Women Advisory Council Act*. The purpose of the Council is to advise the Minister responsible for the Status of Women, the Government and the public on matters of interest and concern to women. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Summary of significant accounting policies

These financial statements have been prepared by the Council's management in accordance with Canadian generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization for capital assets is calculated using the methods described below based on the expected future useful life of the assets as follows:

Furniture and office equipment	Straight line, 5 years
Computer hardware and software	Straight line, 3 years
Leasehold improvements	Straight line, 5 years

2. Accounts receivable

	2011	2010
Harmonized sales tax	**$ 4,370**	$ 4,672
Trade accounts receivable	**-**	388
	$ 4,370	$ 5,060

There is no allowance for doubtful accounts since all amounts are considered collectible.

3. Prepaid expenses

	2011	2010
Insurance	**$ 821**	$ 805
Rent	**2,618**	2,618
Salary	**1,283**	1,186
Workplace Health, Safety and Compensation Commission	**2,902**	2,206
	$ 7,624	$ 6,815

4. Capital assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and office equipment	$ 35,262	$ 24,267	$ 10,995	$ 11,535
Computer hardware and software	35,797	27,777	8,020	-
Leasehold improvements	2,574	2,059	515	1,029
Total	$ 73,633	$ 54,103	$ 19,530	$ 12,564

5. Commitments

In March 2007, the Council entered into a 5 year agreement to lease a postage meter requiring monthly lease payments of $28. In August 2007, the Council entered a 5 year agreement for the lease of office space requiring monthly lease payments of $2,618 with an option to renew for an additional 5 years at the same terms and conditions.

6. Pensions

Council staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Council and remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 2011 was $18,860 (2010 - $16,766).

7. Economic dependence

As the Council's revenue consists primarily of operating grants from the Province, its ability to continue viable operations is dependent upon the decisions of the Province.

8. Financial instruments

The Council's current financial instruments recognized on the balance sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

9. Income taxes

The Council is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Provincial Information and Library Resources Board
Stephenville, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Provincial Information and Library Resources Board which comprise the statement of financial position as at 31 March 2011, the statement of operations, the statement of changes in net debt and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Provincial Information and Library Resources Board as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

24 June 2011
St. John's, Newfoundland and Labrador

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF FINANCIAL POSITION

31 March	2011	2010
FINANCIAL ASSETS		
Cash	$ 2,247,110	$ 2,592,512
Accounts receivable (Note 3)	88,363	155,949
Deposits - local libraries (Note 4)	80,761	81,316
Provincial Territorial Public Library Council Trust fund	39,198	24,295
Long-term investments (Note 5)	23,492	23,492
Total Financial Assets	2,478,924	2,877,564
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,028,788	983,632
Deferred revenue (Note 7)	768,292	1,083,056
Deposits - local libraries (Note 4)	80,761	81,316
Provincial Territorial Public Library Council Trust fund payable	39,198	24,295
Severance pay liability	1,194,296	1,234,944
Total Liabilities	3,111,335	3,407,243
NET DEBT	(632,411)	(529,679)
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 8)	316,776	266,695
Capital assets (Note 9)	2,560,235	2,541,543
Total Non-Financial Assets	2,877,011	2,808,238
ACCUMULATED SURPLUS	$ 2,244,600	$ 2,278,559

Commitments (Note 10)

See accompanying notes

Signed on behalf of the Board: Calvin Taylor **Chairperson** **Member**

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

STATEMENT OF OPERATIONS

For the Year Ended 31 March	2011		2010
	Actual	Budget (Note 11)	Actual
REVENUE			
Province of Newfoundland and Labrador			
Operating grant	$ 10,319,600	$ 10,319,600	$ 10,360,500
Capital grant	554,887	500,000	462,665
Other grants			
Computerization projects	639,924	-	466,623
Kinderstart Literacy Program	153,260	-	-
Miscellaneous	76,009	-	44,870
Fines and lost library materials	55,931	40,000	51,477
Interest	27,981	60,000	9,981
Gain on disposal of capital assets	-	-	897
	11,827,592	10,919,600	11,397,013
EXPENSES			
Amortization	612,937	-	609,560
Bad debt expense	-	-	1,869
Books and periodicals	1,139,390	1,502,207	1,078,721
Computerization of libraries	348,642	335,000	374,848
Conferences and workshops	35,786	60,000	38,600
Educational DVD Project	153,259	-	390
Freight and postage	53,527	96,750	65,306
Grants - local libraries (Schedule)	526,234	497,000	497,070
Insurance	69,462	109,000	67,555
Loss on disposal of capital assets	3,089	-	-
Miscellaneous	2,408	-	10,330
Office and library supplies	283,708	195,532	226,934
Professional fees	19,726	7,500	7,900
Rental of premises	397,836	399,500	397,836
Repairs and maintenance	12,559	17,650	24,326
Salaries and benefits	8,000,176	8,481,923	7,695,641
Telephone	75,384	72,500	76,148
Travel	127,428	172,850	135,033
	11,861,551	11,947,412	11,308,067
ANNUAL (DEFICIT) SURPLUS	(33,959)	(1,027,812)	88,946
ACCUMULATED SURPLUS, beginning of year	2,278,559	2,278,559	2,189,613
ACCUMULATED SURPLUS, end of year	$ 2,244,600	$ 1,250,747	$ 2,278,559

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

STATEMENT OF CHANGES IN NET DEBT

For the Year Ended 31 March

	2011 Actual	2011 Budget	2010 Actual
Annual (deficit) surplus	$ (33,959)	$ (1,027,812)	$ 88,946
Change in prepaid expense	(50,081)	-	17,921
Acquisition of capital assets	(636,718)	-	(788,537)
Loss (gain) on disposal of capital assets	3,089	-	(897)
Proceeds from disposal of capital assets	2,000	-	1,422
Amortization of capital assets	612,937	-	609,560
Change in Net debt	(102,732)	(1,027,812)	(71,585)
NET DEBT, beginning of year	(529,679)	(529,679)	(458,094)
NET DEBT, end of year	$ (632,411)	$ (1,557,491)	$ (529,679)

See accompanying notes

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
Cash flows from operating activities		
Annual (deficit) surplus	$ (33,959)	$ 88,946
Add non-cash items		
Amortization	612,937	609,560
Bad debt expense	-	1,869
Loss (gain) on disposal of capital assets	3,089	(897)
	582,067	699,478
Changes in non-cash operating items		
Accounts receivable	67,586	(20,184)
Prepaid expenses	(50,081)	17,921
Accounts payable and accrued liabilities	45,156	(26,075)
Deferred revenue	(314,764)	287,661
	329,964	958,801
Severance pay liability	(40,648)	51,359
	289,316	1,010,160
Cash flows from capital activities		
Additions to capital assets	(636,718)	(788,537)
Proceeds from disposal of capital assets	2,000	1,422
	(634,718)	(787,115)
Net increase (decrease) in cash	(345,402)	223,045
Cash, beginning of year	2,592,512	2,369,467
Cash, end of year	$ 2,247,110	$ 2,592,512

See accompanying notes

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES

For the Year Ended 31 March	2011	2010
Eastern Division		
Arnold's Cove	$ 1,508	$ 1,455
Bay Roberts	74,772	81,250
Bell Island	1,129	1,060
Bonavista	8,187	3,350
Brigus	5,912	5,450
Burin	549	630
Carbonear	39,671	39,685
Catalina	5,944	3,437
Clarenville	19,742	21,162
Conception Bay South	11,525	10,340
Fortune	433	455
Fox Harbour	5,173	1,699
Garnish	920	919
Grand Bank	15,726	5,891
Harbour Grace	10,719	8,479
Holyrood	5,234	5,542
Marystown	6,360	6,031
Mount Pearl	16,403	12,245
Old Perlican	3,168	2,697
Placentia	20,162	20,602
Pouch Cove	2,250	2,894
St. Brides	7,403	6,794
St. Lawrence	3,726	497
Southern Harbour	3,384	1,363
Torbay	1,257	1,379
Trepassey	7,584	7,008
Victoria	1,106	1,130
Whitbourne	5,030	3,800
Winterton	600	685
	285,577	257,929

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)

For the Year Ended 31 March	2011	2010
Central Division		
Baie Verte	**4,193**	4,918
Bishop's Falls	**1,325**	1,171
Botwood	**7,480**	10,883
Buchans	**696**	1,022
Carmanville	**1,011**	1,346
Centerville	**758**	1,065
Change Islands	**499**	769
Fogo	**637**	972
Gambo	**3,788**	5,778
Gander	**31,682**	27,033
Gaultois	**3,090**	2,676
Glenwood	**1,340**	1,417
Glovertown	**582**	802
Grand Falls-Windsor	**6,830**	6,911
Greenspond	**4,434**	4,782
Harbour Breton	**1,166**	765
Hare Bay	**958**	1,277
Harry's Harbour	**4,568**	5,032
Hermitage	**1,589**	897
King's Point	**6,161**	5,843
LaScie	**3,698**	4,447
Lewisporte	**5,049**	4,111
Lumsden	**741**	1,461
Musgrave Harbour	**816**	695
Norris Arm	**1,979**	2,171
Point Leamington	**1,508**	1,721
Robert's Arm	**3,773**	3,514
St. Albans	**934**	1,252
Seal Cove	**647**	2,373
Springdale	**4,640**	1,382
Summerford	**2,055**	1,729
Twillingate	**1,363**	1,183
Wesleyville	**839**	501
	110,829	111,899

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

SCHEDULE OF OPERATING GRANTS TO LOCAL LIBRARIES (Cont.)

For the Year Ended 31 March	2011	2010
Western Newfoundland - Labrador Division		
Bay St. George South	483	967
Burgeo	654	465
Cape St. George	645	820
Cartwright	709	906
Churchill Falls	410	445
Codroy Valley	596	609
Cormack	1,692	1,463
Corner Brook	9,594	7,352
Cow Head	6,472	5,882
Daniel's Harbour	1,592	1,816
Deer Lake	21,221	15,582
Happy Valley	3,596	1,778
Labrador City	11,793	12,256
L'Anse au Loup	669	2,476
Lark Harbour	510	1,182
Lourdes	746	710
Norris Point	1,882	2,585
Pasadena	2,173	1,942
Port au Port	1,104	1,270
Port aux Basques	13,479	11,855
Port Saunders	5,425	4,470
Ramea	644	1,918
Rocky Harbour	469	554
St. Anthony	1,551	1,620
St. George's	1,695	1,027
St. Lunaire-Griquet	1,259	411
Sops Arm	1,054	1,158
Stephenville	24,846	36,474
Stephenville Crossing	1,175	1,059
Wabush	3,103	2,462
Woody Point	8,587	3,728
	129,828	127,242
	$ 526,234	$ 497,070

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
NOTES TO FINANCIAL STATEMENTS
31 March 2011

Authority

The Provincial Information and Library Resources Board (the Board) operates under the authority of the *Public Libraries Act*. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education.

1. Summary of significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Reporting entity

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. The Board's head office includes Administration, Technical Services and the Provincial Resource Library. These financial statements include expenditures for grants made to local libraries under the jurisdiction of the three divisional library boards detailed in the Schedule to the financial statements. Funds raised by local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

(b) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Amortization is calculated using the straight line method based on the expected future life of all assets as follows:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer equipment	3 years
Software	5 years

(c) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Board. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

2. Change in accounting policies

The Board has adopted generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) for the year ended 31 March 2011. Accordingly, a Statement of Net Debt has been prepared for the current year as well as comparative figures for 2009-10. In addition, capital grants previously recorded as part of net assets invested in capital assets are now included as revenue of the Board. As a result of this change, revenue and the annual surplus for the year ended 31 March 2010 increased by $462,665.

3. Accounts receivable

	2011	2010
Federal Government		
Harmonized Sales Tax	$ 45,817	$ 89,197
Other	42,546	68,621
	88,363	157,818
Less: allowance for doubtful accounts	-	1,869
	$ 88,363	$ 155,949

4. Deposits - local libraries

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at 31 March 2011 was $80,761 (2010 - $81,316) consisting of cash of $5,346 and 4,085 shares of various Investor Group Mutual Funds held in Trust for the St. John's Public Library Board which were donated to the Board. The carrying value of the mutual funds is recognized at the fair market value of $75,415 (2010 - $74,478), as determined by the average cost at the time the shares were acquired by the Board. The fair market value of these shares was $85,101 as at 31 March 2011.

5. Long-term investments

Long-term investments consist of 1,678 shares of Sun Life Financial Services of Canada Inc. which were given to the Board as a result of the demutualization of Sun Life Assurance Company of Canada. The carrying value of the shares is recognized at the fair market value of $23,492, as determined by the share price at the time of the transfer of the shares to the Board. The fair market value of these shares was $51,129 as at 31 March 2011 (2010 - $54,820).

6. Accounts payable and accrued liabilities

	2011	2010
Accounts payable	$ 164,728	$ 128,316
Accrued salaries and benefits	864,060	855,316
	$ 1,028,788	$ 983,632

7. Deferred revenue

Deferred revenue represents money received from funding agencies that has not been utilized, and is available for specified expenditures in future years:

	2011	2010
Provincial Government	$ 733,525	$ 1,049,664
Other	34,767	33,392
	$ 768,292	$ 1,083,056

8. Prepaid expenses

Prepaid expenses of $316,776 (2010 - $266,695) include inventory of supplies of $66,599 (2010 - $63,827) on hand at the Board's head office and the three divisional library board offices.

9. Capital assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 285,907	$ -	$ 285,907	$ 285,907
Buildings	1,758,867	1,171,289	587,578	626,367
Building improvements	1,350,207	467,760	882,447	828,495
Furniture and equipment	1,661,648	1,257,289	404,359	367,853
Motor vehicles	190,646	87,499	103,147	98,557
Computer equipment	1,725,755	1,428,958	296,797	321,450
Software	168,688	168,688	-	12,914
	$ 7,141,718	$ 4,581,483	$ 2,560,235	$ 2,541,543

10. Commitments

The Board has entered into lease agreements for the rental of photocopiers, microfiche readers, postal equipment and various rental properties throughout the Province. Future minimum lease payments for the next five years are as follows:

2012	$455,340
2013	$429,833
2014	$392,233
2015	$321,733
2016	$263,233

11. Budget

The Board's budget is prepared on the cash basis and, as a result, the 2011 budgeted expenditure exceeded the Province's current year provision for operating grants for the Board. The difference would be funded from cash surpluses carried forward from prior years.

12. Pensions

Under the *Public Libraries Act*, Board staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Board's share of pension contributions for 2011 was $409,444 (2010 - $392,019).

13. Income taxes

The Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

14. Economic dependence

As a result of the Board's reliance on Provincial funding, the Board's ability to continue viable operations is dependent upon decisions of the Province.

15. Financial instruments

The Board's financial instruments recognized on the statement of financial position, in addition to the long-term investments described in Note 5, consist of cash, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity or current market rate associated with them. No further credit risk exists in relation to the financial instruments.

16. Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation.

PUBLIC ACCOUNTANTS LICENSING BOARD

FINANCIAL STATEMENTS

31 DECEMBER 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chair and Members
Public Accountants Licensing Board
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Public Accountants Licensing Board, which comprise the balance sheet as at 31 December 2010 and the statement of revenue, expenses and equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Report (cont.)

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Accountants Licensing Board as at 31 December 2010, and its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

20 April 2011
St. John's, Newfoundland and Labrador

PUBLIC ACCOUNTANTS LICENSING BOARD
BALANCE SHEET
31 December

	2010	2009
ASSETS		
Current		
Cash	**$ 35,065**	$ 7,888
Short-term investments (Note 2)	**13,798**	38,100
Sales tax receivable	**902**	1,455
Prepaid expense	**487**	-
	50,252	47,443
Long-term		
Long-term investments (Note 2)	**3,485**	3,420
	$ 53,737	$ 50,863
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 2,680**	$ 920
Deferred revenue (Note 3)	**7,900**	8,500
	10,580	9,420
Equity	**43,157**	41,443
	$ 53,737	$ 50,863

See accompanying notes

Signed on behalf of the Board: **Chair** **Member**

PUBLIC ACCOUNTANTS LICENSING BOARD
STATEMENT OF REVENUE, EXPENSES AND EQUITY

For the Year Ended 31 December	2010	2009
REVENUE		
Licences	$ 21,000	$ 22,000
Interest income	184	586
	21,184	22,586
EXPENSES		
Advertising	1,246	767
Board remuneration	3,835	7,150
Insurance	1,273	493
Interest and bank charges	198	160
Meeting expense	807	858
Office supplies	635	326
Professional fees	2,786	2,350
Rent	1,500	1,200
Secretarial services	3,275	5,220
Travel	3,915	6,884
	19,470	25,408
Excess of revenue over expenses (expenses over revenue)	1,714	(2,822)
Equity, beginning of year	41,443	44,265
Equity, end of year	$ 43,157	$ 41,443

See accompanying notes

Authority

The Public Accountants Licensing Board (the Board) was established under authority of the *Public Accountancy Act*. The powers of the Board include granting licences to practice as a public accountant under the *Act*, keeping a roll of persons licensed, and prescribing the educational standards and other qualifications of applicants for a license. A new *Act*, the *Public Accountants Act*, comes into force on a day to be proclaimed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles. The Board does not prepare a statement of cash flows since there are no investing and financing activities and the changes in cash flows are readily apparent from the other statements.

2. Investments

Short-term investments of $13,798 (2009 - $38,100) in guaranteed investment certificates are valued at cost plus accrued interest. Maturity date is 9 February 2011 with an interest rate of 0.2%.

Long-term investments of $3,485 (2009 - $3,420) in a guaranteed investment certificate is valued at cost plus accrued interest. Maturity date is 27 January 2012 with an interest rate of 1.9%.

3. Deferred revenue

Deferred revenue consists of license payments for subsequent year received in advance.

4. Financial instruments

The Board's financial instruments recognized on the balance sheet consist of cash, investments, sales tax receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and/or the short-term maturity associated with them.

5. Income taxes

The Public Accountants Licensing Board is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

6. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Deloitte.

Financial Statements of

PUBLIC HEALTH LABORATORY

March 31, 2010

Membre de / Member of Deloitte Touche Tohmatsu

Deloitte

Deloitte & Touche LLP
10 Factory Lane
Fort William Building
St. John's NL A1C 6H5
Canada

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Auditors' Report

To the Management Committee of
Public Health Laboratory

We have audited the statement of financial position of the Public Health Laboratory as at March 31, 2010 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Public Health Laboratory as at March 31, 2010 and the results of its operations and its cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
May 31, 2010

Membre de / Member of Deloitte Touche Tohmatsu

PUBLIC HEALTH LABORATORY
Statement of Operations and Deficit
Year Ended March 31, 2010

	2010 $	2009 $
Revenue		
Government of Newfoundland and Labrador	**4,475,251**	3,998,276
Expenditures		
Wages and benefits	**1,997,646**	1,742,049
Laboratory supplies	**1,741,893**	1,694,306
Operating supplies	**303,255**	210,926
Professional fees	**243,275**	199,650
Repairs and maintenance	**87,691**	42,815
Travel	**49,214**	34,252
Printing, stationery and office	**37,581**	33,483
Minor equipment	**14,921**	49,500
Telephone	**6,799**	11,252
	4,482,275	4,018,233
Excess of expenditures over revenue before undernoted items	**(7,024)**	(19,957)
Amortization of capital assets	**(92,040)**	(82,728)
Amortization of deferred capital contributions	**111,196**	71,586
Increase in severance pay accrual	**(11,289)**	(51,646)
	7,867	(62,788)
Excess of revenue over expenditures (expenditures over revenue)	**843**	(82,745)
Deficit, beginning of year	**(956,568)**	(873,823)
Deficit, end of year	**(955,725)**	(956,568)

PUBLIC HEALTH LABORATORY
Statement of Financial Position
Year Ended March 31, 2010

	2010	2009
	$	$
Assets		
Current assets		
Cash	**500**	500
Accounts receivable	**39,913**	145,424
Due from Eastern Regional Health Authority	**70,533**	-
Prepaid expenses	**77,942**	65,310
	188,888	211,234
Capital assets (Note 4)	**358,427**	324,898
	547,315	536,132
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**135,435**	83,640
Due to Eastern Regional Health Authority	-	204,683
Deferred revenue	**75,000**	75,000
Deferred revenue - capital	**39,732**	-
Current portion of accrued severance pay	**133,656**	33,814
Accrued vacation pay	**389,672**	291,837
	773,495	688,974
Accrued severance pay	**371,118**	459,671
Deferred capital contributions (Note 6)	**358,427**	344,055
	1,503,040	1,492,700
Deficit		
Deficit	**(955,725)**	(956,568)
	547,315	536,132

Approved by the Board

Trustee Faith Stratton Trustee

PUBLIC HEALTH LABORATORY
Statement of Cash Flows
Year Ended March 31, 2010

	2010	2009
	$	$
Operating activities		
Excess of revenue over expenditures (expenditures over revenue)	**843**	(82,745)
Adjustments for:		
Amortization of capital assets	**92,040**	82,728
Amortization of deferred capital contributions	**(111,196)**	(71,586)
Increase in severance pay accrual	**11,289**	51,646
Change in non-cash operating working capital (Note 5)	**7,024**	19,957
	-	-
Financing activity		
Deferred capital contributions	**125,569**	307,890
Investing activity		
Purchase of capital assets	**(125,569)**	(307,890)
Change in cash	**-**	-
Cash, beginning of year	**500**	500
Cash, end of year	**500**	500

1. NATURE OF OPERATIONS

The purpose of the Public Health Laboratory (the "Laboratory") is to act as the provincial reference laboratory centre for clinical and public health microbiology and infectious disease surveillance and control. The Laboratory offers specialized and reference laboratory services to all physicians, hospitals, clinics and health related agencies in the Province.

The Laboratory is a not-for-profit organization and is exempt from income taxes.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2009, the Laboratory adopted the amendments issued by the Canadian Institute of Chartered Accountants ("CICA") for section 1540 "Cash flow statement", section 4400 "Financial statement presentation by not-for-profit organizations", section 4430 "Capital assets held by not-for-profit organizations", section 4460 "Disclosure of related party transactions by not-for-profit organizations", and Section 4470 "Disclosure of allocated expenses by not-for-profit organizations". The application of these standards did not have any impact on the financial statements of the Laboratory.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Laboratory has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Laboratory for the year ended March 31, 2010. The Laboratory applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the more significant of which are as follows:

Basis of accounting

The financial statements include only the assets, liabilities, revenue and expenditures relating to the operations carried on under the name of the Public Health Laboratory.

Cash

Cash includes cash on hand and balances with banks.

Capital assets

Capital assets are recorded at cost. Rates and bases of amortization applied to write off the cost of capital assets over their estimated lives are as follows:

Equipment	15%, straight line
Computer equipment	20%, straight line

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

Capital contributions

Capital contributions are recorded as deferred capital contributions and amortized to income on the same basis as the related capital assets are amortized. Capital contributions on non-depreciable capital assets are recorded as direct decreases in deficit.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for severance pay is recorded in the accounts for any employee who has less than nine years of service. Severance is payable when the employee ceases employment with the Laboratory.

Revenue recognition

Revenue is recognized as earned and when collection is reasonably assured. Revenue received for a future period is deferred until that future period and reflected as deferred revenue.

The Laboratory is dependent on funding from the Government of Newfoundland and Labrador, Department of Health and Community Services.

Pension costs

Employees of the Laboratory are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador (the "Government"). Contributions to the plans are required from both the employees and the Laboratory. The annual contributions for pensions are recognized in the accounts on a current basis and amounted to $103,566 for the year ended March 31, 2010 (2009 - $97,446).

Vacation pay and other benefits

Vacation pay and other benefits are recorded in the accounts of the Laboratory on the accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

The Laboratory's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from Eastern Regional Health Authority	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to Eastern Regional Health Authority	Other liabilities	Amortized cost

Other balance sheet accounts do not meet the criteria to be considered financial instruments.

The Laboratory has determined that it does not have derivatives or embedded derivatives.

Use of estimates

In preparing the Laboratory's financial statements in conformity with Canadian generally accepted accounting principles management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

4. CAPITAL ASSETS

	2010			2009	
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Net Book Value
	$	**$**	**$**	$	$
Equipment	**2,024,075**	**1,665,648**	**358,427**	1,898,506	324,898
Computer equipment	**602,290**	**602,290**	**-**	602,290	-
	2,626,365	**2,267,938**	**358,427**	2,500,796	324,898

5. SUPPLEMENTAL CASH FLOW INFORMATION

	2010	2009
	$	$
Change in non-cash operating working capital		
Accounts receivable	**105,510**	(107,146)
Due from Eastern Regional Health Authority	**(70,533)**	-
Prepaid expenses	**(12,632)**	(65,310)
Accounts payable and accrued liabilities	**51,795**	(2,922)
Due to Eastern Regional Health Authority	**(204,683)**	312,882
Accrued vacation pay	**97,835**	50,223
Deferred revenue	**-**	(167,770)
Deferred revenue - capital	**39,732**	-
	7,024	19,957

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized portion of restricted contributions related to capital assets, which will be reported in revenue in future accounting periods. Deferred capital contributions are amortized on a basis equal to the amortization for the related capital asset purchased.

The changes in deferred capital contributions balance for the year are as follows:

	2010	2009
	$	$
Balance, beginning of the year	**344,055**	107,751
Grants received	**125,568**	307,890
Amortization	**(111,196)**	(71,586)
Balance, end of year	**358,427**	344,055

7. RELATED PARTY TRANSACTIONS

The Laboratory coordinates with the Eastern Regional Health Authority to provide a reference laboratory centre. Transactions between these related parties are measured at their exchange value.

8. CAPITAL MANAGEMENT

The capital structure of the Laboratory consists of deficit. The Laboratory's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Laboratory is not subject to externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Laboratory has exposure to credit risk and liquidity risk. The Laboratory's Management Committee has overall responsibility for the oversight of these risks and reviews the Laboratory's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Laboratory's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Laboratory will not be able to meet its financial obligations as they become due. As at March 31, 2010 the Laboratory had cash of $500.

Fair value

The fair value of the Laboratory's short-term financial instruments approximate the carrying value due to the short-term maturity and normal credit terms of those instruments.

Deloitte.

Financial Statements of

PUBLIC HEALTH LABORATORY

March 31, 2011

Deloitte.

Deloitte & Touche LLP
10 Factory Lane
Fort William Building
St. John's NL A1C 6H5
Canada

Tel: (709) 576-8480
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Independent Auditor's Report

To the Management Committee of
Public Health Laboratory

We have audited the accompanying financial statements of Public Health Laboratory which comprise the statement of financial position as at March 31, 2011 and the statements of operations and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Public Health Laboratory as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
August 15, 2011

PUBLIC HEALTH LABORATORY
Statement of Operations and Deficit
Year Ended March 31, 2011

	2011	2010
	$	$
Revenue		
Government of Newfoundland and Labrador	4,516,323	4,475,251
Other	36,949	-
	4,553,272	4,475,251
Expenditures		
Wages and benefits	2,126,534	1,997,646
Laboratory supplies	1,699,625	1,741,893
Professional fees	236,396	243,275
Operating supplies	196,474	278,991
Repairs and maintenance	90,058	111,955
Travel	48,205	49,214
Printing, stationery and office	44,884	37,581
Minor equipment	40,268	14,921
Telephone	7,398	6,799
	4,489,842	4,482,275
Excess of revenue over expenditures (expenditures over revenue) before undernoted items	63,430	(7,024)
Amortization of capital assets	(85,068)	(92,040)
Amortization of deferred capital contributions	85,068	111,196
Increase in vacation pay	(56,006)	-
Increase in severance pay accrual	(42,134)	(11,289)
	(98,140)	7,867
Excess of (expenditures over revenue) revenue over expenditures	(34,710)	843
Deficit, beginning of year	(955,725)	(956,568)
Deficit, end of year	(990,435)	(955,725)

PUBLIC HEALTH LABORATORY
Statement of Financial Position
Year Ended March 31, 2011

	2011	2010
	$	$
Assets		
Current assets		
Cash	**500**	500
Accounts receivable	**91,518**	39,913
Due from Eastern Regional Health Authority	**179,001**	70,533
Prepaid expenses	**77,942**	77,942
	348,961	188,888
Capital assets (Note 4)	**318,896**	358,427
	667,857	547,315
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**169,115**	135,435
Deferred revenue	**75,000**	75,000
Deferred revenue - capital	**102,695**	39,732
Current portion of accrued severance pay	**231,703**	133,656
Accrued vacation pay	**445,678**	389,672
	1,024,191	773,495
Accrued severance pay	**315,205**	371,118
Deferred capital contributions (Note 6)	**318,896**	358,427
	1,658,292	1,503,040
Deficit		
Deficit	**(990,435)**	(955,725)
	667,857	547,315

Approved by the Board

_______________ Trustee Faith Stratton Trustee

PUBLIC HEALTH LABORATORY
Statement of Cash Flows
Year Ended March 31, 2011

	2011 $	2010 $
Operating activities		
Excess of (expenditures over revenue) revenue over expenditures	(34,710)	843
Adjustments for:		
Amortization of capital assets	85,068	92,040
Amortization of deferred capital contributions	(85,068)	(111,196)
Increase in severance pay accrual	42,134	11,289
Change in non-cash operating working capital (Note 5)	(7,424)	7,024
	-	-
Financing activity		
Deferred capital contributions	45,537	125,569
Investing activity		
Purchase of capital assets	(45,537)	(125,569)
Change in cash	-	-
Cash, beginning of year	500	500
Cash, end of year	500	500

1. NATURE OF OPERATIONS

The purpose of the Public Health Laboratory (the "Laboratory") is to act as the provincial reference laboratory centre for clinical and public health microbiology and infectious disease surveillance and control. The Laboratory offers specialized and reference laboratory services to all physicians, hospitals, clinics and health related agencies in the Province.

The Laboratory is a not-for-profit organization and is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Laboratory has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Laboratory for the year ended March 31, 2011. The Laboratory applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the more significant of which are as follows:

Basis of accounting

The financial statements include only the assets, liabilities, revenue and expenditures relating to the operations carried on under the name of the Public Health Laboratory.

Cash

Cash includes cash on hand and balances with banks.

Capital assets

Capital assets are recorded at cost. Rates and bases of amortization applied to write off the cost of capital assets over their estimated lives are as follows:

Equipment	15%, straight line
Computer equipment	20%, straight line

Impairment of assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The amount of any impairment loss is determined as the excess of the carrying value of the asset over its fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital contributions

Capital contributions are recorded as deferred capital contributions and amortized to income on the same basis as the related capital assets are amortized. Capital contributions on non-depreciable capital assets are recorded as direct decreases in deficit.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for severance pay is recorded in the accounts for any employee who has less than nine years of service. Severance is payable when the employee ceases employment with the Laboratory.

Revenue recognition

Revenue is recognized as earned and when collection is reasonably assured. Revenue received for a future period is deferred until that future period and reflected as deferred revenue.

The Laboratory is dependent on funding from the Government of Newfoundland and Labrador, Department of Health and Community Services.

Pension costs

Employees of the Laboratory are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador (the "Government"). Contributions to the plans are required from both the employees and the Laboratory. The annual contributions for pensions are recognized in the accounts on a current basis and amounted to $118,748 for the year ended March 31, 2011 (2010 - $103,566).

Vacation pay and other benefits

Vacation pay and other benefits are recorded in the accounts of the Laboratory on the accrual basis.

Financial instruments

The Laboratory's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from Eastern Regional Health Authority	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost

Other balance sheet accounts do not meet the criteria to be considered financial instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

The Laboratory has determined that it does not have derivatives or embedded derivatives.

Use of estimates

In preparing the Laboratory's financial statements in conformity with Canadian generally accepted accounting principles management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

The CICA has issued a new accounting framework applicable to Canadian government enterprises. Effective for the fiscal years beginning on or after January 1, 2012, government enterprises are required to adopt accounting principles set forth by the Public Sector Accounting Board ("PSAB"). The Laboratory currently plans to adopt the new accounting standards for government enterprises for its fiscal year beginning April 1, 2012: however, the impact of this transition has not yet been determined.

4. CAPITAL ASSETS

	2011				2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Net Book Value
	$	**$**	**$**	$	$
Equipment	**2,069,612**	**1,750,716**	**318,896**	2,024,075	358,427
Computer equipment	**602,290**	**602,290**	**-**	602,290	-
	2,671,902	**2,353,006**	**318,896**	2,626,365	358,427

5. SUPPLEMENTAL CASH FLOW INFORMATION

	2011	2010
	$	$
Change in non-cash operating working capital		
Accounts receivable	**(51,605)**	105,510
Due from Eastern Regional Health Authority	**(108,468)**	(70,533)
Prepaid expenses	**-**	(12,632)
Accounts payable and accrued liabilities	**33,680**	51,795
Due to Eastern Regional Health Authority	**-**	(204,683)
Accrued vacation pay	**56,006**	97,835
Deferred revenue - capital	**62,963**	39,732
	(7,424)	7,024

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized portion of restricted contributions related to capital assets, which will be reported in revenue in future accounting periods. Deferred capital contributions are amortized on a basis equal to the amortization for the related capital asset purchased.

The changes in deferred capital contributions balance for the year are as follows:

	2011	2010
	$	$
Balance, beginning of the year	**358,427**	344,055
Grants received	**45,537**	125,568
Amortization	**(85,068)**	(111,196)
Balance, end of year	**318,896**	358,427

7. RELATED PARTY TRANSACTIONS

The Laboratory coordinates with the Eastern Regional Health Authority to provide a reference laboratory centre. Transactions between these related parties are measured at their exchange value.

8. CAPITAL MANAGEMENT

The capital structure of the Laboratory consists of its deficit. The Laboratory's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Laboratory is not subject to externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Laboratory has exposure to credit risk and liquidity risk. The Laboratory's Management Committee has overall responsibility for the oversight of these risks and reviews the Laboratory's policies on an ongoing basis to ensure that these risks are appropriately managed. The source of risk exposure and how each is managed is outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Laboratory's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Laboratory will not be able to meet its financial obligations as they become due. As at March 31, 2011 the Laboratory had cash of $500.

Fair value

The fair value of the Laboratory's financial instruments, with the exception of the amount due from Eastern Regional Health Authority, approximates their carrying values due to the short-term maturity and normal credit terms of those instruments. The amount due from Eastern Regional Health Authority is non-interest bearing with no set repayment terms.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

REGISTRAR OF THE SUPREME COURT

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Registrar of the Supreme Court
St. John's, Newfoundland and Labrador

I have audited the statement of fund balances of the Registrar of the Supreme Court as at 31 March 2010 and the statements of changes in fund balance for the Estate/Trust Fund, Supreme Court Fund and Administration Fund for the year then ended. These financial statements have been prepared to meet the information needs of the Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The financial statements are the responsibility of the Registrar. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the balances of the Funds of the Registrar of the Supreme Court as at 31 March 2010 and the changes in fund balances for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information of the Registrar of the Supreme Court, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador to meet their information needs under Section 67 of the *Judicature Act*. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
25 June 2010

STATEMENT 1

REGISTRAR OF THE SUPREME COURT
STATEMENT OF FUND BALANCES
31 March

	Estate/Trust Fund (Note 2)	Supreme Court Fund (Note 3)	Administration Fund (Note 4)	2010	2009
ASSETS					
Cash	$ 9,172,990	$ 5,725,613	$ 326,891	$ 15,225,494	$ 14,205,465
Investments (Note 5)	16,145,869	1,638,434	-	17,784,303	18,763,063
Irrevocable letters of credit and securities	-	670,511	-	670,511	670,511
Real estate and other assets (Note 1)	1	-	-	1	1
Total assets	$ 25,318,860	$ 8,034,558	$ 326,891	$ 33,680,309	$ 33,639,040
Total Fund balances	$ 25,318,860	$ 8,034,558	$ 326,891	$ 33,680,309	$ 33,639,040

See accompanying notes

Signed: Christopher Curran Q.C.
Registrar

STATEMENT 2

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ESTATE/TRUST FUND

For the Year Ended 31 March	2010	2009
INCREASES		
Estate/trust assets received	$ 6,299,994	$ 6,091,356
Investment income	538,246	741,729
Pension, compensation and assistance	2,030,480	1,980,062
Revaluation of investments	622,747	-
Sale of chattels	38,263	21,183
Sale of real estate	2,201,115	988,148
	11,730,845	9,822,478
DECREASES		
Commissions charged and paid to Administration Fund	411,335	305,077
Estates/trusts completed	6,326,214	4,299,361
Estate/trust disbursements	4,878,458	3,358,848
Excess interest paid to Administration Fund	2,094	17,646
Harmonized sales tax paid to Administration Fund	54,478	40,444
Revaluation of investments	-	842,825
Unclaimed estates paid to Administration Fund	84,107	53,962
	11,756,686	8,918,163
Net (decrease) increase	(25,841)	904,315
Fund balance, beginning of year	25,344,701	24,440,386
Fund balance, end of year	$ 25,318,860	$ 25,344,701

See accompanying notes

STATEMENT 3

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
SUPREME COURT FUND

For the Year Ended 31 March	2010	2009
INCREASES		
Court actions (Payments into Court)	$ 1,720,688	$ 1,740,938
Divorce fees	8,280	8,040
Fees	1,194,762	1,173,316
Fines and bail	99,980	2,526
Investment income	60,131	202,635
Judgment recovery	-	200
Law Society fees	12,996	12,678
	3,096,837	3,140,333
DECREASES		
Commissions charged and paid to Administration Fund	3,045	3,279
Court actions (Payments out of Court)	1,690,192	2,083,378
Divorce fees	6,723	7,970
Excess interest paid to Administration Fund	-	13,324
Fees paid to Consolidated Revenue Fund	1,192,803	1,167,015
Fines and bail	7,001	20,650
Harmonized sales tax on Commissions paid to Administration Fund	117,869	-
Law Society fees	9,984	15,972
	3,027,617	3,311,588
Net increase (decrease)	69,220	(171,255)
Fund balance, beginning of year	7,965,338	8,136,593
Fund balance, end of year	$ 8,034,558	$ 7,965,338

See accompanying notes

REGISTRAR OF THE SUPREME COURT
STATEMENT OF CHANGES IN FUND BALANCE
ADMINISTRATION FUND

For the Year Ended 31 March	2010	2009
INCREASES		
Commissions received from other Funds	$ 414,380	$ 308,356
Excess interest received from other Funds	2,094	30,970
Harmonized sales tax received from other Funds	172,347	40,444
Harmonized sales tax refunded from Federal Government	-	3,826
Refunds to Special Reserve Fund	-	920
Unclaimed and undistributable amounts received from other Funds	84,107	53,962
	672,928	438,478
DECREASES		
Commissions paid to Consolidated Revenue Fund	446,882	309,478
Harmonized sales tax remitted to Federal Government	139,845	42,444
Office administration expenses paid from Special Reserve Fund	2,544	1,476
Professional fees	1,660	1,420
Unclaimed and undistributable amounts paid to Consolidated Revenue Fund	84,107	53,962
	675,038	408,780
Net (decrease) increase	(2,110)	29,698
Fund balance, beginning of year	329,001	299,303
Fund balance, end of year	$ 326,891	$ 329,001

See accompanying notes

Authority

The Registrar of the Supreme Court (the Registrar) operates under the authority of the *Judicature Act*.

The Registrar administers estates of deceased persons when appointed personal representative by the Supreme Court of Newfoundland and Labrador and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the *Mentally Disabled Persons' Estates Act*. The Registrar also has custody of monies paid to the Court in pending actions, as well as monies paid to the Court or to the Registrar under various statutes.

1. Basis of accounting

These financial statements have been prepared by the Registrar in accordance with the significant accounting policies set out below to meet the information needs of the Registrar, the Chief Justice of the Trial Division of the Supreme Court of Newfoundland and Labrador, and the Government of Newfoundland and Labrador under Section 67 of the *Judicature Act*. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because all receipts and disbursements are being recognized on a cash basis and not all expenditures related to the operations of the Registrar are reflected in these statements.

Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The Office of the Registrar, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Registrar's Special Reserve Fund under Section 72(2) of the *Judicature Act* are recorded in these financial statements in the amount of $2,544 for the 2009-10 year (2008-09 - $1,476).

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, life insurance, pre-arranged funerals, Registered Retirement Savings Plans/Income Funds, Registered Education Savings Plans and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for mortgages which are recorded at face value net of principal payments received.

1. Basis of accounting (cont.)

Significant accounting policies (cont.)

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

2. Estate/Trust Fund

The Registrar, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Registrar include monies and other assets held on behalf of such estates/trusts.

3. Supreme Court Fund

The Supreme Court Fund consists mainly of monies received by the Registrar under, inter alia, the following Acts, and Rules and Regulations thereunder:

(a) *Automobile Insurance Act*
(b) *Direct Sellers Act*
(c) *Elections Act, 1991*
(d) *Expropriation Act*
(e) *Judicature Act*
(f) *Leaseholds in St. John's Act*
(g) *Life Insurance Act*
(h) *Municipalities Act, 1999*
(i) *Public Utilities Acquisition of Lands Act*
(j) *Real Estate Trading Act*
(k) *Residential Tenancies Act (2000)*
(l) *Unified Family Court Act*

4. Administration Fund

The Administration Fund was established to record monies collected pursuant to the Rules of the Supreme Court of Newfoundland and Labrador. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund and Supreme Court Fund in excess of that allocated to clients in accordance with Section 72(1) of the *Judicature Act*. Other monies flowing through the Administration Fund include commissions and unclaimed and undistributable assets to be paid over to the Consolidated Revenue Fund, and Harmonized Sales Tax collected on commissions to be paid over to the Federal Government.

5. Investments

	2010	2009
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	$ 13,362,823	$ 14,625,999
Mortgages	141,867	126,167
Life Insurance - cash surrender value	78,704	77,412
Pre-arranged funerals	299,227	292,666
Registered Retirement Savings Plans/Income Funds and Registered Education Savings Plans	3,744,528	3,456,997
Shares	157,154	183,822
	$ 17,784,303	$ 18,763,063

6. Related party transactions

Commissions earned and service fees are paid into the Province's Consolidated Revenue Fund.

7. Income taxes

The Registrar of the Supreme Court of Newfoundland and Labrador is an entity of the Crown and as such is not subject to Provincial or Federal income taxes.

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Research & Development Corporation
of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Research & Development Corporation of Newfoundland and Labrador which comprise the statement of financial position as at 31 March 2011, the statement of operations and changes in net assets, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Research & Development Corporation of Newfoundland and Labrador as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
20 June 2011

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF FINANCIAL POSITION

31 March	2011	2010
ASSETS		
Current Assets		
Cash	$ 24,740,983	$ 688,782
Other receivables	31,039	21,171
Prepaid expenses	-	5,946
Total current assets	24,772,022	715,899
Capital assets, net (Note 5)	355,300	311,468
	$ 25,127,322	$ 1,027,367
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,439,929	$ 213,887
Deferred revenue (Note 6)	21,309,475	639,361
Total current liabilities	24,749,404	853,248
Accrued severance	22,878	16,100
Deferred capital contributions (Note 7)	103,233	158,019
Net assets	251,807	-
	$ 25,127,322	$ 1,027,367

Commitments (Note 11)

See accompanying notes

Signed on behalf of the Board: Director Director

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the Year Ended 31 March	2011	2010
		(Note 14)
REVENUE		
Government grants (Note 6)	$ 9,743,500	$ 754,198
Investment income	251,807	-
Amortization of deferred capital contributions (Note 7)	54,786	54,786
Total revenue for the period	10,050,093	808,984
EXPENDITURES		
Program grants	6,360,816	-
Salaries and benefits	2,172,790	495,638
Professional services	433,447	104,349
Property	238,568	57,934
Office and computer equipment and supplies	162,687	25,415
Amortization of capital assets	140,272	83,950
Advertising, printing and promotion	95,630	10,777
Communications	93,867	5,492
Travel	86,034	22,629
Director fees	14,175	2,800
Total expenditures for the period	9,798,286	808,984
Excess of revenue over expenditures, and increase in net assets for the period	$ 251,807	$ -

See accompanying notes

RESEARCH & DEVELOPMENT CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2011	2010
		(Note 14)
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the period	$ 251,807	$ -
Add (deduct) items not involving cash		
Amortization of capital assets	140,272	83,950
Amortization of deferred capital contributions	(54,786)	(54,786)
Accrued severance pay	6,778	16,100
Net change in non-cash working capital balances related to operations (Note 13)	23,892,234	826,131
Cash provided by operating activities	24,236,305	871,395
INVESTING ACTIVITIES		
Purchase of capital assets	(184,104)	(395,418)
Additions to deferred capital contributions (Note 7)	-	212,805
Cash used in investing activities	(184,104)	(182,613)
Net increase in cash during the period	24,052,201	688,782
Cash, beginning of period	688,782	-
Cash, end of period	$ 24,740,983	$ 688,782

See accompanying notes

1. Nature of operations

The Research & Development Corporation of Newfoundland and Labrador (the Corporation) was established under the authority of the *Research and Development Council Act* (the *Act*) and is funded by the Province of Newfoundland and Labrador (the Province). The objective of the Corporation is to strengthen the focus, quantity, quality, and relevance of research and development (R&D) undertaken within the Province and elsewhere for the long-term economic benefit of the Province.

The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The *Act* came into effect 18 December 2009. Under the *Act*, the Research & Development Corporation of Newfoundland and Labrador was incorporated and the *Research Council Act* was repealed. The *Act* provides the Corporation with a 31 March year end. The Corporation is a Crown entity of the Province and as such is not subject to the Provincial or Federal income taxes.

The programs administered by the Corporation can be grouped into two categories: Academia and Industry.

Academia

Support for academic-led projects focuses on the following: strengthening our R&D capacity through investments in the development of highly-qualified researchers; R&D activities that align with industry needs, our competitive advantages and development opportunities; and world-class R&D infrastructure.

Industry

Support for industry R&D projects assists businesses in improving their competitiveness. Activities supported include incremental, out-of-pocket, project-specific costs such as securing intellectual property and patent protection, materials, R&D personnel salaries, specialized equipment, technical services, access to test facilities and equipment, field trials, project-specific technical expertise, renovations, project-related travel costs, and other costs that support collaborative R&D.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature these estimates are subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period the change occurs.

The financial statements, in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Basis of presentation

These financial statements include the accounts relating to the operations carried on under the name of the Corporation.

The Corporation has adopted Section 4400 of the *CICA Handbook*, *Financial Statement Presentation for Not-for-Profit Organizations*. As part of this adoption, the Corporation reviewed recent changes to Section 4400, including the elimination of the requirement to disclose the amount of net assets invested in capital assets separately, and the reporting of revenues and expenditures on a gross basis in the statement of operations, unless not required by other guidance. In addition, the Corporation also considered recent amendments to certain other Sections of the *CICA Handbook* that relate to not-for-profit organizations, including Section 1540, *Cash Flow Statements*, and the creation of the new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*.

Cash

Cash includes cash on deposit only.

Revenue recognition

Government grants revenue is recognized in the period in which related expenditures are incurred. Grants received relating to future period expenditures are deferred and reflected as deferred revenue in the statement of financial position.

2. Summary of significant accounting policies (cont.)

Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives using the following terms:

	Term
Furniture and equipment	5 years
Computer hardware and software	2 years
Network infrastructure	4 years
Enterprise resource package software	3 years

Deferred capital contributions

The Corporation's deferred capital contributions balance is comprised of the capital contributions transferred to the Corporation from the Government of Newfoundland and Labrador prior to 18 December 2009, the date of incorporation. Capital contributions are recorded as deferred contributions and are amortized to income on a straight line basis using the same rates as the amortization expense related to the capital assets.

Accrued severance

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continual service, and accordingly no provision has been made in accounts for employees with less than nine years of continual service. As well, no provision has been made for contractual employees. Employees with prior service with the Government of Newfoundland and Labrador or a Crown corporation or agency may be considered for severance provided the previous employer followed the same or equivalent severance policy. Severance is payable when the employee ceases employment with the Corporation provided no severance has been paid by Government or another Crown corporation or agency for the same period.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan or the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador, or a self-directed RRSP. Contributions to each plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis. Total pension expense for the Corporation in the year was $131,872 (2010 - $30,835).

2. Summary of significant accounting policies (cont.)

Operating leases

Leases where substantially all the risks and rewards of ownership of the asset are not transferred to the Corporation are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the related lease term.

Financial instruments

Financial reporting principles require that financial assets and financial liabilities be initially measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities are measured based on their classification: held for trading, loans and receivables, or other financial liabilities. The Corporation has made the following classifications:

- Cash is classified as a "held for trading" asset. This asset is measured at fair value and the gains or losses arising from the remeasurement at the end of each period are recorded in earnings.

- Other receivables are classified as "loans and receivables". They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to the cost.

- Accounts payable and accrued liabilities are classified as "other financial liabilities". They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest rate method. For the Corporation, the measured amount generally corresponds to the cost.

3. Financial statement presentation

Future changes in accounting policies

Assessment of strategic direction of financial reporting standards for not-for-profit organizations

The Accounting Standards Board and the Public Sector Accounting Board are currently working together to assess the strategic direction of financial reporting standards for not-for-profit organizations in Canada. The Corporation will continue to monitor the impact of any proposed changes and the timing of their adoption.

4. Risk management

The Corporation's management recognizes the importance of managing significant risks and this includes policies, procedures and oversight designed to reduce the risks identified to an appropriate threshold. The Board of Directors is provided with timely and relevant reports on the management of significant risks. Significant risks currently managed by the Corporation include liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to meet its contractual obligations and financial liabilities. The Corporation manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its obligations and liabilities.

5. Capital assets

	2011			2010
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Furniture and equipment	$ 224,604	$ 66,121	$ 158,483	$ 123,422
Computer hardware and software	48,756	36,868	11,888	16,453
Network infrastructure	47,077	23,538	23,539	35,308
Enterprise resource package software	259,085	97,695	161,390	136,285
	$ 579,522	$ 224,222	$ 355,300	$ 311,468

The Corporation applies the half-year rule in calculating amortization of capital assets acquired during the year.

6. Deferred revenue

Deferred revenue at 31 March 2011 consists of grants received from the Province to be used for the payment of research and development programs in future periods.

	2011	2010
Balance, beginning of period	$ 639,361	$ -
Grants received during the period	25,156,800	1,393,559
IRIF program transfer (Note 8)	5,107,090	-
Other program transfers	149,724	-
Less: grants recognized in income during the period	(9,743,500)	(754,198)
	$ 21,309,475	$ 639,361

7. Deferred capital contributions

	2011	2010
Balance, beginning of period	$ 158,019	$ -
Contributions, during the year	-	212,805
Less: amount amortized to revenue	(54,786)	(54,786)
	$ 103,233	$ 158,019

8. Industrial Research and Innovation Fund (IRIF)

Prior to 1 April 2009, funding for the IRIF program resided with the Department of Education while responsibility for client files and decision making resided with the Department of Innovation, Trade and Rural Development (INTRD). Funding was provided to Memorial University of Newfoundland (Memorial) through lump sum disbursements to be held on account by Memorial. Memorial placed the funds in an interest bearing account and disbursed funds to projects approved by INTRD.

Through the 2009 budget process it was decided that the IRIF program aligned best with the mandate of the Research and Development Council (the Council). Effective 1 April 2009 the program was transferred to the Council (which was renamed the Corporation per Section 3 of the *Act*) with accountability and responsibility for the program on a go forward basis. On 22 March 2010 a formal request was issued to Memorial to forward the IRIF account balance to the Corporation. This transfer was completed on 27 May 2010 in the amount of $5,107,090 and as a result this amount related to the IRIF program has been recorded in these financial statements.

9. Related party transactions

These financial statements include transactions with related parties. The Corporation is related, as a result of common ownership, to all Crown corporations and agencies of the Province.

During the year, the Corporation had the following related party transactions:

- Program grants expense to related parties of $5,354,612 ($2010 - $0).
- Purchased supplies and services from related parties for $86,820 (2010 - $7,002).
- Receipt of a transfer in the amount of $5,107,090 from Memorial University of Newfoundland. This transfer represented the balance of funds on hand related to the IRIF which is now administered by the Corporation (Note 8).

10. Economic dependence

As a result of the Corporation's reliance on funding from the Government of Newfoundland and Labrador, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

11. Commitments

The Corporation has outstanding commitments under its various programs in respect of approved but not yet disbursed funds in the amount of $32,233,042. Approximate payment of the commitments for the next five years is as follows:

2012	$19,621,050
2013	$ 9,736,072
2014	$ 1,561,006
2015	$ 832,680
2016	$ 482,234

Additionally, the Corporation has entered into various contracts for the rental of office space and joint cost shared agreements totalling approximately $265,000. The Corporation expects to make these payments in 2012 in addition to the program commitments noted above.

12. Credit facilities

Subject to the prior approval of the Lieutenant-Governor in Council and the Board, the Corporation may borrow money for purposes related to the attainment of its objectives as set out in the *Act*. As at 31 March 2011, the Corporation has available a revolving credit facility of up to $1,000,000 bearing interest at prime, a letter of credit of up to $50,000 bearing interest at 1%, and VISA business card(s) with an aggregate limit of $50,000. As at 31 March 2011, the credit facility, letter of credit, and the VISA business card(s) are inactive.

13. Non-cash working capital balance

The net change in non-cash working capital balances related to operations is comprised of the following:

	2011	2010
Increase in other receivables	$ (9,868)	$ (21,171)
Decrease (increase) in prepaid expenses	5,946	(5,946)
Increase in accounts payable and accrued liabilities	3,226,042	213,887
Increase in deferred revenue	20,670,114	639,361
Net change in non-cash working capital balances related to operations for the period	$ 23,892,234	$ 826,131

14. Comparative figures

The comparative figures presented in these financial statements represent the Corporation's transactions from the date of incorporation, 18 December 2009 to 31 March 2010. Certain of the 2010 comparative figures have been reclassified to conform to the financial presentation adopted in 2011.

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2011

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Board of Directors
Student Loan Corporation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Student Loan Corporation of Newfoundland and Labrador which comprise the statement of financial position as at 31 March 2011, the statement of operations, the statement of changes in net financial assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Student Loan Corporation of Newfoundland and Labrador as at 31 March 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

21 June 2011
St. John's, Newfoundland and Labrador

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF FINANCIAL POSITION

31 March	2011	2010
FINANCIAL ASSETS		
Cash	$ 19,053,015	$ 26,480,685
Accounts receivable	399,241	529,185
Student loans receivable (Note 3)	132,233,057	144,288,901
Total Financial Assets	151,685,313	171,298,771
LIABILITIES		
Accounts payable and accrued liabilities	435,280	413,655
Accrued vacation pay	142,030	70,730
Current portion - long-term debt (Note 4)	142,000,000	14,000,000
Current portion - obligation under capital lease (Note 5)	-	2,898
Long-term debt (Note 4)	-	142,000,000
Accrued severance pay	114,879	74,115
Total Liabilities	142,692,189	156,561,398
NET FINANCIAL ASSETS	8,993,124	14,737,373
NON-FINANCIAL ASSETS		
Capital assets (Note 6)	97,269	113,163
Prepaid expense	2,010	2,862
Total Non-Financial Assets	99,279	116,025
ACCUMULATED SURPLUS	$ 9,092,403	$ 14,853,398

Contingent liability - Note 7

See accompanying notes

Signed on behalf of the Board: **Chairperson** **Director**

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF OPERATIONS

For the year ended 31 March	2011 Actuals	2011 Budget	2010 Actuals
REVENUES			
Provincial grant revenue	$ 7,148,383	$ 17,595,800	$ 13,574,691
Federal grant revenue	764	500,000	5,312,941
Recovery in value of student loan receivable	5,005,373	-	2,842,223
Interest revenue	209,661	400,000	253,600
Student loan interest	46,300	-	1,404,770
Other revenue	6,805	10,000	11,708
	12,417,286	18,505,800	23,399,933
EXPENSES			
Administrative fees	748,947	3,100,000	753,783
Amortization	31,661	25,000	32,460
Bad debt expense	-	1,300,000	-
Bank charges	11,916	25,000	14,190
Grant expense - Federal	764	500,000	5,312,941
Grant expense - Provincial	14,255,806	21,200,000	16,926,182
Interest expense on long-term debt	1,443,483	1,900,000	768,934
Interest relief expense	594	-	178,931
Operating expenses	105,680	249,500	141,952
Other expenses	-	600,000	-
Salaries	1,579,430	1,346,300	1,366,244
	18,178,281	30,245,800	25,495,617
ANNUAL DEFICIT	(5,760,995)	(11,740,000)	(2,095,684)
ACCUMULATED SURPLUS, beginning of year	14,853,398	14,853,398	16,949,082
ACCUMULATED SURPLUS, end of year	$ 9,092,403	$ 3,113,398	$ 14,853,398

See accompanying notes

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended 31 March	2011		2010
	Actuals	**Budget**	Actuals
Annual deficit	$ (5,760,995)	$ (11,740,000)	$ (2,095,684)
Change in prepaid expense	852	-	250
Acquisition of tangible capital assets	(15,767)	(25,000)	-
Amortization of tangible capital assets	31,661	25,000	32,460
Change in Net Financial Assets	(5,744,249)	(11,740,000)	(2,062,974)
Net Financial Assets, beginning of year	14,737,373	14,737,373	16,800,347
Net Financial Assets, end of year	$ 8,993,124	$ 2,997,373	$ 14,737,373

See accompanying notes

STUDENT LOAN CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF CASH FLOWS

For the year ended 31 March	2011	2010
Cash flows from operating activities		
Annual deficit	$ (5,760,995)	$ (2,095,684)
Add (deduct) non-cash items		
Amortization	31,661	32,460
Recovery in value of student loan receivable	(5,005,373)	(2,842,223)
	(10,734,707)	(4,905,447)
Changes in non-cash operating items		
Interest receivable on investments	-	139,623
Accounts receivable	129,944	(101,940)
Prepaid expense	852	250
Student loans receivable (Note 3)	18,107,262	22,487,137
Student loans written off to allowance	(1,046,045)	(88,536)
Accounts payable and accrued liabilities	21,625	2,135
Accrued vacation pay	71,300	(18,661)
	6,550,231	17,514,561
Accrued severance pay	40,764	8,651
	6,590,995	17,523,212
Cash flows from capital activities		
Acquisition of tangible capital assets	(15,767)	-
Cash flows from financing activities		
Repayment of long-term debt	(14,000,000)	(14,000,000)
Repayment of capital lease obligation	(2,898)	(4,348)
	(14,002,898)	(14,004,348)
Increase (Decrease) in cash	(7,427,670)	3,518,864
Cash, beginning of year	26,480,685	22,961,821
Cash, end of year	$ 19,053,015	$ 26,480,685

See accompanying notes

Authority

The Student Loan Corporation of Newfoundland and Labrador was established on 30 March 2004 under the authority of the *Student Financial Assistance Act*. The objective of the Corporation is to act as the lender for all Provincial student loans. The affairs of the Corporation are managed by a Board of Directors comprised of senior government officials.

1. Summary of significant accounting policies

These financial statements have been prepared by the Board's management in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB). Outlined below are the significant accounting policies followed:

(a) Accounts receivable

The Corporation's accounts receivable mainly relate to timing differences which are generally resolved quickly. As a result, an allowance against this amount has not been established.

(b) Severance pay

The calculation of severance pay is based on years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Corporation. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

(c) Capital assets

All capital assets are recorded at cost at the time of acquisition. Amortization is calculated using the straight-line method based on the expected future life of all assets as follows:

Office equipment	10 years
Computer software	7 years
Computer hardware	4 years
Capital photocopier lease	5 years

2. Change in accounting policy

The Corporation has adopted generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) for the year ended 31 March 2011. Accordingly, a Statement of Changes in Net Financial Assets has been prepared for the current year as well as comparative figures for 2009-10.

3. Student loans receivable

The student loan portfolio consists of Provincial loans issued on or after 1 August 2000 and Provincial loans issued prior to that date where the student was still in school and did not receive additional loans.

As at 31 March 2011 approximately 20,391 loans totalling $84,279,502 (2010 - 20,645 loans totalling $97,014,294) were being repaid as non-interest bearing for the period 1 April 2010 to 31 March 2011 (Class B loans) while 8,597 loans totalling $33,876,134 (2010 - 9,115 loans totalling $37,707,863) were not being repaid as the students were either still in attendance at an approved education institution or were within 6 months after the end of the study period (Class A loans).

As at 31 March 2011 approximately 8,871 loans totalling $52,123,799 (2010 - 8,694 loans totalling $52,401,527) were defaulted. These loans are defined as Class B loans delinquent for 270 days (nine months). These loans were non-interest bearing for the period 1 April 2010 to 31 March 2011.

Student loans receivable consist of the following:

	2011	2010
Loans receivable		
Class A principal	**$ 33,876,134**	$ 37,707,863
Class B principal	**84,279,502**	97,014,294
Loans defaulted	**52,123,799**	52,401,527
Interest receivable	**5,257,451**	6,520,464
	175,536,886	193,644,148
Less: allowance for doubtful accounts	**(43,303,829)**	(49,355,247)
	$ 132,233,057	$ 144,288,901

The allowance for doubtful accounts represents the Corporation's best estimate of future probable losses with respect to loans receivable. The estimation of an appropriate allowance involves significant judgment. These financial statements represent management's best estimates based on available information.

The net decrease in student loans receivable during the year consists of the following:

	2011	2010
Student loan interest	**$ 46,300**	$ 1,404,770
Interest relief	**(594)**	(178,931)
Student loan grants	**(3,281,919)**	(10,486,042)
Student loans disbursed	**12,090,262**	13,197,200
Student loan payments	**(25,915,266)**	(26,335,598)
Student loans written off	**(1,046,045)**	(88,536)
	$ (18,107,262)	$ (22,487,137)

4. Long-term debt

	2011	2010
Issue of floating rate notes dated 2 October 2006 maturing 30 September 2011 and bearing interest at the 3-month Canadian Bankers' Acceptance rate less 2 basis points, payable quarterly.	$ 142,000,000	$ 156,000,000
Less: current portion	142,000,000	14,000,000
Obligation, end of year	$ -	$ 142,000,000

A principal payment of $14,000,000 will be made on 30 September 2011. Interest is payable on 30 June and 30 September.

As the debt matures on 30 September 2011, the Corporation will be reviewing its debt strategy for the upcoming year.

5. Obligation under capital lease

The following is a schedule of future minimum lease payments under the capital lease which expired in December 2010.

	2011	2010
Obligation, beginning of year	$ -	$ 2,898
Less: current portion	-	2,898
Obligation, end of year	$ -	$ -

6. Capital assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	$ 33,219	$ 5,388	$ 27,831	$ 14,598
Computer software	145,359	81,363	63,996	84,761
Computer hardware	22,404	16,962	5,442	10,543
Capital photocopier lease	21,739	21,739	-	3,261
	$ 222,721	$ 125,452	$ 97,269	$ 113,163

7. Contingent liability

The Corporation is contingently liable for approved sick leave encountered by its employees. Employee sick leave benefits accrue annually but do not vest and are not payable at the end of the employment. As at 31 March 2011, the accumulated balance of employee sick leave benefits available for drawdown totalled $412,326 (2010 - $355,022).

8. Related party transactions

The Province unconditionally guarantees the principal and interest outstanding on long-term debt of $142,000,000.

9. Economic dependence

As a result of its reliance on the Government of Newfoundland and Labrador to address the future funding requirements of the student loans program, the Corporation's ability to continue operations is dependent upon the decisions of Government.

10. Financial instruments

The Corporation's short-term financial instruments recognized on the statement of financial position consist of cash, accounts receivable, accounts payable and accrued liabilities, accrued vacation pay and current portion of long-term debt. The Corporation's current portion of long-term debt is at a floating rate determined by the 3-month Canadian Bankers' Acceptance rate less 2 basis points, maturing in September 2011. This may subject the Corporation to interest rate risk caused by changes in the interest rate. The carrying values of short-term financial instruments approximate current fair value due to their nature and short-term maturity associated with them.

The Corporation's long-term financial instruments recognized on the balance sheet consist of student loans receivable and accrued severance pay. The student loans receivable are reported at cost with provision being made for any decline in their value. Therefore, no further credit risk exists relating to these loans. The carrying values of these long-term financial instruments approximate their current fair value.

11. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Chairperson and Members
The Rooms Corporation of
Newfoundland and Labrador
St. John's, Newfoundland and Labrador

I have audited the balance sheet of The Rooms Corporation of Newfoundland and Labrador as at 31 March 2010 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
7 July 2010

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
BALANCE SHEET

31 March	2010	2009
ASSETS		
Current		
Cash and short-term investments	$ 2,285,720	$ 922,481
Accounts receivable (Note 2)	750,555	424,367
Inventory	51,193	61,509
	3,087,468	1,408,357
Restricted cash (Note 3)	4,141,208	1,719,314
Capital assets (Note 4 and Note 5)	2,248,403	648,971
	$ 9,477,079	$ 3,776,642
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	$ 2,065,914	$ 551,764
Accrued payroll	-	144,077
Accrued overtime and leave	253,652	239,824
Deferred capital contribution (Note 6)	2,265,134	1,299,214
Deferred revenue (Note 7)	3,416,669	420,100
	8,001,369	2,654,979
Severance pay liability	525,721	422,810
	8,527,090	3,077,789
Surplus	949,989	698,853
	$ 9,477,079	$ 3,776,642

Commitments (Note 10)

See accompanying notes

Signed on behalf of the Board of Directors: ______ **Chairperson**   Cathy Duke **Member**

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF REVENUES, EXPENSES AND SURPLUS

For the Year Ended 31 March	2010	2009
REVENUES		
Province of Newfoundland and Labrador	$ 7,831,576	$ 7,295,600
Colonial Building Political History Interpretation Project (Note 9)	1,575,659	246,168
Admissions revenue	426,325	378,310
Donations	290,781	93,231
Gift shop sales	180,144	188,836
Federal Government	154,516	170,329
Interest revenue	10,905	45,319
External funding	6,426	198,294
	10,476,332	8,616,087
EXPENSES		
Advertising	241,870	255,350
Amortization expense	200,498	150,177
Appraisals and acquisitions	145,160	180,071
Building expenses	1,917,792	1,965,391
Colonial Building Political History Interpretation Project (Note 9)	1,499,644	234,104
Conference and registration fees	24,412	14,422
Core programming	581,655	587,213
Cost of gift shop sales	89,348	101,495
Meeting expenses	23,111	22,596
Office equipment and supplies	87,753	95,646
Professional services	497,024	614,837
Salaries and benefits	4,657,985	4,264,796
Telecommunications and courier	95,189	93,038
Travel	163,755	186,785
	10,225,196	8,765,921
Excess of revenues over expenses (expenses over revenues)	251,136	(149,834)
Surplus, beginning of year	698,853	848,687
Surplus, end of year	$ 949,989	$ 698,853

See accompanying notes

THE ROOMS CORPORATION OF NEWFOUNDLAND AND LABRADOR
STATEMENT OF CASH FLOWS

For the Year Ended 31 March	2010	2009
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ 251,136	$ (149,834)
Add non-cash items:		
Amortization expense	200,498	150,177
	451,634	343
Net change in non-cash working capital items	5,030,518	904,973
Increase in severance pay liability	102,911	39,068
	5,585,063	944,384
Cash flows from investing activities		
Purchase of capital assets	(1,799,930)	(149,682)
Net change in restricted cash	(2,421,894)	(846,325)
	(4,221,824)	(996,007)
Increase (decrease) in cash	1,363,239	(51,623)
Cash and short-term investments, beginning of year	922,481	974,104
Cash and short-term investments, end of year	$ 2,285,720	$ 922,481

See accompanying notes

Authority

The Rooms Corporation of Newfoundland and Labrador (the Corporation) was established as a corporation under the *Rooms Act* on 19 May 2005. In accordance with the *Rooms Act*, the Corporation assumed title to and has been vested with all of the rights, liabilities, assets and property of The Rooms Corporation of Newfoundland and Labrador Inc. established as a corporation under the *Corporations Act* on 18 November 2002. The Corporation was established to: collect, preserve, present and make available for research historic artifacts, natural history specimens and archival records that represent and illustrate the significant history, culture and natural heritage of the Province; conduct research with respect to the history, natural history, culture and heritage of the Province; collect and present provincial, national and international contemporary and historic art; advance and promote the works of contemporary visual artists of the Province; support the development of cultural industries in the Province; strengthen the culture of the Province; and provide and enhance client services and partnerships to promote the cultural collections of the Province and to show other national and international collections. The Corporation is an agent of the Crown. The affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(b) Collections

The collections of art work, archival documents and historical and cultural artifacts form the largest part of the assets of the Corporation. These collections are not presented in the balance sheet due to the practical difficulties of determining a meaningful value for these assets. Objects purchased for one of the Corporation's collections are recorded as an expense in the year of acquisition. Objects donated to the Corporation are recorded with a zero value.

(c) Capital assets

Capital assets to which the Corporation has title are recorded at cost at the time of acquisition. Amortization is calculated on a straight line basis as follows:

Furniture and equipment - 7 years
Computer equipment and software - 3 years
Vehicles - 5 years
Building improvements - 7 years

Work in progress is considered to be a capital asset, however it is not amortized as it is not yet available for use. Upon completion, these assets will be recorded in the appropriate category.

1. Significant accounting policies (cont.)

(d) Deferred revenue

The Corporation follows the deferred method with respect to externally restricted revenue.

(e) Deferred capital contribution

Contributions related to capital assets are deferred and amortized to revenue at the same rates which the related capital assets are amortized.

(f) Severance pay

Severance pay vests with employees after nine years of uninterrupted service and accordingly no provision has been made in these financial statements for employees who have less than nine years of uninterrupted service with the Province. Severance pay, at the rate of one week's pay for each year of service up to a maximum of twenty weeks pay, is payable when the employee ceases employment with the Province.

2. Accounts receivable

	2010	2009
Province of Newfoundland and Labrador	$ 175,661	$ 32,190
Colonial Building Political History Interpretation Project		
Province of Newfoundland and Labrador	-	172,246
Government of Canada	-	73,922
Harmonized sales tax	393,883	119,786
Government of Canada	167,641	-
Other	13,370	26,223
	$ 750,555	$ 424,367

3. Restricted cash

The following funds, which have external conditions on their use, have been received and deposited with the Corporation's general funds and are reported in these financial statements as restricted cash.

	2010	2009
Department of Tourism, Culture and Recreation		
- Regional Museums Improvement	$ 721,191	$ 1,299,214
- Colonial Building	1,804,134	-
Department of Education - Virtual Exhibits	30,310	137,875
Private Donor - Site Development	100,000	100,000
Private Donor - Social History Exhibit	400,000	100,000
Irish Newfoundland Partnership	65,000	65,000
Corporate Donor - 4th Floor	1,000,000	-
Permanent Collections Donations	15,625	15,625
Government of Canada - 4th Floor	3,348	-
Private Donor – B-17 Bomber Exhibit	1,600	1,600
	$ 4,141,208	$ 1,719,314

4. Capital assets

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 940,581	$ 307,040	$ 633,541	$ 413,022
Computer equipment and software	256,440	256,440	-	59,583
Vehicles	82,473	57,731	24,742	41,237
Building improvements	77,037	27,513	49,524	60,529
Capital assets transferred to the Corporation (Note 5)	1	1	-	-
Work in progress	1,540,596	-	1,540,596	74,600
	$ 2,897,128	$ 648,725	$ 2,248,403	$ 648,971

These financial statements do not include the value of "The Rooms" building out of which the Provincial Archives, Art Gallery and Museum Divisions of the Corporation operate. Ownership of the building, which cost $49.3 million to construct, is held by the Minister of Transportation and Works on behalf of the Province.

5. Capital assets transferred to the Corporation

During 2003-04, The Rooms Corporation of Newfoundland and Labrador Inc. assumed title to the capital assets of the Provincial Archives, the Provincial Museum and the Art Gallery of Newfoundland and Labrador. These assets have now been transferred to the Corporation. The costs and accumulated amortization of these assets are unknown and a reasonable estimate of the amounts involved could not be determined. Therefore, the cost has been recorded as $1 and the accumulated amortization has been recorded at $1.

6. Deferred capital contribution

The following funds have been received by the Corporation for the acquisition or construction of capital assets. Recognition of revenue will occur in accordance with the Corporation's stated policy for deferred capital contributions.

	2010	2009
Deferred capital contribution - Provincial	$ 1,899,214	$ 1,299,214
Deferred capital contribution - Federal	365,920	-
	$ 2,265,134	$ 1,299,214

7. Deferred revenue

The following funds have been received by the Corporation. Since the conditions relating to their use have not been met, recognition of the revenues has been deferred and the funds are recorded as restricted.

	2010	2009
Deferred revenue - Provincial	$ 1,899,444	$ 202,875
Deferred revenue - Other	1,517,225	217,225
	$ 3,416,669	$ 420,100

8. Related party transactions

(a) Province of Newfoundland and Labrador

The Corporation is a Crown Corporation of the Province of Newfoundand and Labrador reporting through the Minister of the Department of Tourism, Culture and Recreation. Expenses incurred by the Province, related to salaries and benefits totalling $4,408,430 (2009 - $3,986,608), are reflected in these financial statements as expenses of the Corporation and as revenue from the Province. Included in this total is $507,558 (2009 - $492,677), related to the employer's share of employee benefits, paid by the Department of Finance on behalf of the Corporation.

8. Related party transactions (cont.)

(a) Province of Newfoundland and Labrador (cont.)

The Province provides the Corporation with buildings and space, and related building services, for use as regional museums, storage and workshops in various locations throughout the Province at no cost. Information Technology services and legal services are also provided to the Corporation by the Province at no cost. The value of these spaces and the services provided is not readily determinable and therefore are not reflected in these financial statements.

(b) Memorial University of Newfoundland (MUN)

Certain employees who transferred to the Corporation from Memorial University of Newfoundland continue to have their payroll administered by MUN. MUN invoices the Corporation for actual costs incurred. Expenses related to salaries and benefits totalling $195,976 (2009 - $198,542) were invoiced by MUN during the year.

(c) The Rooms Foundation of Newfoundland and Labrador

The Rooms Foundation of Newfoundland and Labrador was incorporated on 11 March 2009 under the *Corporations Act*. It was incorporated in accordance with Section 8(7) of the *Rooms Act*. There were no transactions or other activity between 11 March 2009 and 31 March 2010.

9. Colonial Building Political History Interpretation Project

Under a Memorandum of Understanding between the Province and the Corporation signed on 31 March 2009, the Corporation will administer a Project to renovate the Colonial Building into a heritage interpretation centre/museum. The Project commenced in the 2008-09 fiscal year and is scheduled to be completed by 31 March 2011. As Project sponsor, the Corporation is responsible for administration of the Project. As title to and use of the Colonial Building remains with the Province, the Corporation does not capitalize the renovations to the Building. Rather the Corporation records expenses related to the Project as incurred and revenues in the amount equal to the expenses incurred plus an administration fee. Under the Memorandum of Understanding the total amount of funding to be provided by the Province in relation to this Project is budgeted to be $3,425,000.

9. Colonial Building Political History Interpretation Project (cont.)

On 1 December 2008, an Agreement respecting a Project called "Colonial Building Political History Interpretation" was signed between the Corporation and the Government of Canada. The Agreement provided additional funding for the renovation of the Colonial Building in the maximum amount of $748,335. During the year, expenses of $1,499,644 (2009 - $234,104) were incurred related to the Project. The Corporation also recognized revenues of $1,575,659 (2009 - $246,168) (Provincial - $949,698; Federal - $625,961) related to the Project.

10. Commitments

(a) Facility Management Contract

The Corporation has entered into a facility management contract representing commitments of $228,382 for work that will be performed by 31 March 2011.

(b) Office rental

The Corporation has entered into an agreement requiring lease payments for office rental for the next two years. Minimum lease payments for the next two years are as follows:

2011	$32,200
2012	7,088

11. Pensions

Under the *Rooms Act*, the Corporation's staff are subject to the *Public Service Pensions Act*. The Province of Newfoundland and Labrador administers the payroll processing for the majority of the Corporation's staff. Employee contributions are matched by the Province, on behalf of the Corporation, and are remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 2010 was $256,884 (2009 - $236,379). This is included as Salaries and benefits and is also included in the revenue that the Corporation receives from the Province.

Certain employees who transferred to the Corporation from Memorial University of Newfoundland (MUN) continue to have their payroll administered by MUN, including pension benefits. MUN invoices the Corporation for the employer share of pension contributions which are then remitted to the Memorial University of Newfoundland Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions related to these employees for 2010 was $11,784 (2009 - $12,428).

12. Financial instruments

The Corporation's financial instruments recognized on the balance sheet consist of cash and short-term investments, accounts receivable, and accounts payable and accrued liabilities. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them.

There is no credit risk associated with the Corporation's accounts receivable because the accounts are primarily due from the Federal and Provincial governments. Therefore, no allowance has been provided against these receivables.

13. Economic dependence

As a result of its reliance on future transfers from the Province of Newfoundland and Labrador to ultimately finance its costs of operations, the Corporation's ability to continue operations is dependent upon the decisions of Government.

14. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Financial Statements of

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

March 31, 2010

Membre de / Member of Deloitte Touche Tohmatsu

Deloitte

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Auditors' Report

To the Board of Directors of
Trinity-Conception-Placentia Health Foundation Inc.

We have audited the statement of financial position of Trinity-Conception-Placentia Health Foundation Inc. (the "Foundation") as at March 31, 2010 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives its revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures (expenditures over revenues), assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
June 10, 2010

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2010

	2010	2009
	$	$
Revenue		
Fundraising programs		
Donations	**391,996**	287,298
50/50 lottery	**43,162**	35,088
In-kind donations	**28,760**	29,738
	463,918	352,124
Interest	**2,986**	16,258
SEED grant	**27,414**	17,910
	494,318	386,292
Expenditures		
Donations to Eastern Regional Health Authority	**113,487**	202,871
Salaries and benefits	**103,384**	178,848
Fundraising projects	**93,977**	74,443
Contribution to SEED students	**27,414**	17,910
Other	**13,625**	4,717
Travel	**10,761**	11,032
Interest and bank charges	**4,387**	2,579
Office supplies and postage	**348**	3,003
	367,383	495,403
Excess of revenue over expenditures (expenditures over revenue)	**126,935**	(109,111)
Net assets, beginning of year	**133,715**	242,826
Net assets, end of year	**260,650**	133,715

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Financial Position

March 31, 2010

	2010	2009
	$	$
Assets		
Current assets		
Cash and cash equivalents	**368,795**	582,549
Short-term investment	**-**	38,632
Accounts receivable	**5,984**	6,416
Land held for resale	**48,500**	48,500
	423,279	676,097
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**114,548**	150,534
Due to Eastern Regional Health Authority	**22,287**	367,412
Accrued severance pay	**25,794**	24,436
	162,629	542,382
Net assets		
Net assets	**260,650**	133,715
	423,279	676,097

Approved on behalf of the Board:

_______________________ Director

_______________________ Director

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2010

	2010	2009
	$	$
Operating activities		
Excess of revenue over expenditures (expenditures over revenue)	126,935	(109,111)
Adjustments for:		
Decrease in deferred revenue	-	(13,532)
Increase in accrued severance pay	1,358	7,203
Changes in non-cash operating working capital:		
Short-term investment	38,632	(68)
Accounts receivable	432	(2,508)
Due from Eastern Regional Health Authority	-	6,664
Accounts payable and accrued liabilities	(35,986)	(4,180)
Due to Eastern Regional Health Authority	(345,125)	367,412
Net change in cash and cash equivalents	(213,754)	251,880
Cash and cash equivalents, beginning of year	582,549	330,669
Cash and cash equivalents, end of year	368,795	582,549
Supplemental disclosure of cash flow information:		
Interest paid	4,387	2,579

TRINITY-CONCEPTION-PLACENTIA HEALTH FOUNDATION INC.

Notes to the Financial Statements

March 31, 2010

1. NATURE OF OPERATIONS

Trinity-Conception-Placentia Health Foundation Inc. (the "Foundation") is a not-for-profit organization which raises funds for the Eastern Regional Health Authority and is incorporated under the Corporations Act of Newfoundland and Labrador.

As a not-for-profit organization, the Foundation is exempt from income taxes.

2. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2009, the Foundation adopted the amendments issued by the Canadian Institute of Chartered Accountants ("CICA") for section 1540 "Cash flow statement", section 4400 "Financial statement presentation by not-for-profit organizations", section 4430 "Capital assets held by not-for-profit organizations", section 4460 "Disclosure of related party transactions by not-for-profit organizations", and Section 4470 "Disclosure of allocated expenses by not-for-profit organizations". The application of these standards did not have any impact on the financial statements of the Foundation.

3. SIGNIFICANT ACCOUNTING POLICIES

The Foundation has elected to use the exemption provided by the CICA permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Foundation for the year ended March 31, 2010. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, the more significant of which are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Short-term investments

Short-term investments are measured and reported at fair value, which is quoted market value.

Revenue recognition

Donations and other revenues are recognized as earned and when collection is reasonably assured.

Contributed materials and services

Contributed materials and services are recognized as in kind donations revenue when the fair value of the assets can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land held for resale

The land held for resale has been recorded in the financial statements at its appraised value at the date of contribution.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels for employees who have a vested right to receive such a payment. No provision for severance pay liability is recorded for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Foundation.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan administered by the Government of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as an expenditure in the accounts on a current basis and amounted to $6,753 for the year ended March 31, 2010 (2009 - $12,879).

Financial instruments

Financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Short-term investment	Available for sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to Eastern Regional Health Authority	Other liabilities	Amortized cost

Other balance sheet accounts do not meet the criteria to be considered financial instruments.

The Foundation has determined that it does not have derivatives or embedded derivatives.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of accounting estimates

In preparing the Foundation's financial statements in conformity with Canadian generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the financial statements, and reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

4. COMMITMENTS

The Foundation has commitments to the Eastern Regional Health Authority to provide contributions of $162,572 for capital equipment purchases as at March 31, 2010.

5. RELATED PARTY TRANSACTIONS

The Foundation operates for the purpose of accumulating funds to assist Eastern Regional Health Authority with the purchase of medical equipment used in the provision of patient care. Transactions between these related parties are measured at their exchange value.

6. CAPITAL MANAGEMENT

The capital structure of the Foundation consists of net assets. The Foundation's objective when managing capital is to ensure it maintains adequate capital to support its continued operations.

The Foundation is not subject to externally imposed capital requirements.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The sources of risk exposure and how each is managed are outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivable and cash. Management believes that the credit risk with respect to accounts receivable is not material. The Foundation's cash is distributed among bank accounts. The Foundation does not expect any liquidity or credit losses.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2010 the Foundation had cash and cash equivalents of $368,795.

To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through fundraising or third party financing, assuming these can be obtained.

Fair value

The fair value of the Foundation's financial instruments approximates their carrying values due to the short-term maturity and normal credit terms of those instruments.

Grant Thornton

Financial Statements

Western Regional Health Authority

March 31, 2011

Grant Thornton

Independent auditors' report

Grant Thornton LLP
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To the Board of Trustees
Western Regional Health Authority

We have audited the statement of financial position of the Western Regional Health Authority at March 31, 2011, and the statements of operations, changes in deficiency and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2011, and the results of its operations and changes in deficiency and its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

Grant Thornton LLP

Corner Brook, Newfoundland and Labrador

June 23, 2011

Chartered Accountants

Western Regional Health Authority

Statement of financial position

March 31	2011	2010 (As restated Note 15)
Assets		
Current		
Cash and cash equivalents	$ 226,542	$ 851,658
Receivables (Note 4)	21,706,705	14,642,569
Inventory (Note 5)	5,819,972	5,224,088
Prepaid expenses	7,413,904	6,807,514
	35,167,123	27,525,829
Due from associated funds (Note 6)	1,421,134	725,950
Capital assets (Note 7)	71,545,607	68,561,950
Trust funds on deposit (Note 8)	603,999	543,725
Restricted cash and investments	135,814	129,145
	$ 108,873,677	$ 97,486,599
Liabilities		
Current		
Bank indebtedness (Note 9)	$ 8,736,624	$ 900,892
Payables and accruals	24,937,325	23,315,659
Deferred contributions – operating	5,541,488	5,553,309
Deferred contributions - capital	17,180,944	18,283,370
Vacation pay accrual	9,295,886	9,381,457
Current portion of severance pay accrual	1,500,000	1,500,000
Current portion of long term debt (Note 10)	567,100	881,000
	67,759,367	59,815,687
Severance pay accrual	27,480,587	26,916,001
Trust funds payable	603,999	543,725
Long term debt (Note 10)	2,915,907	3,482,848
Deferred contributions		
– unamortized portion of capital asset grants	64,980,873	60,947,519
	163,740,733	151,705,780
Net assets (deficiency)		
Net assets invested in capital assets	3,081,720	3,250,580
Restricted net assets, endowments	145,240	136,172
Unrestricted deficiency (Note 11)	(58,094,016)	(57,605,933)
	(54,867,056)	(54,219,181)
	$ 108,873,677	$ 97,486,599

Contingencies and commitments (Note 13)

On behalf of the Board

________________ Member ________________ Member

Western Regional Health Authority

Statement of changes in deficiency

March 31

				2011	2010
	Unrestricted	**Capital**	**Endowments (Restricted)**	**Total**	Total
Net assets (deficiency), beginning of year as previously reported	$ (58,033,537)	$ 3,250,580	$ 136,172	**$ (54,646,785)**	$ (55,083,897)
Prior period adjustment (Note 15)	427,604	-	-	**427,604**	-
Net assets (deficiency), beginning of year, as restated	(57,605,933)	3,250,580	136,172	**(54,219,181)**	(55,083,897)
Operating surplus (deficit)	(647,875)	-	-	**(647,875)**	864,716
Principal repayment of long term debt	(183,206)	183,206	-	**-**	-
Principal repayment of capital lease	(697,635)	697,635	-	**-**	-
Restricted interest income	(9,068)	-	9,068	**-**	-
Amortization of capital assets					
Shareable	880,841	(880,841)	-	**-**	-
Non-shareable	7,495,771	(7,495,771)	-	**-**	-
Amortization of deferred capital asset grants	(7,326,911)	7,326,911	-	-	-
Net assets (deficiency), end of year	$ (58,094,016)	$ 3,081,720	$ 145,240	**$ 54,867,056**	$ (54,219,181)

See accompanying notes to the financial statements.

Western Regional Health Authority

Statement of operations

Year ended March 31	2011	2010 (As restated Note 15)
Revenue		
Provincial plan	**$ 279,870,622**	$ 257,801,362
Other	**51,508,302**	47,194,533
	331,378,924	304,995,895
Expenditures		
Administration	**23,943,235**	23,224,356
Support services	**59,191,397**	53,353,298
Nursing inpatient services	**80,745,087**	73,275,739
Medical services	**19,997,452**	17,595,220
Ambulatory care services	**23,105,791**	20,870,643
Diagnostic and therapeutic services	**30,756,735**	28,438,599
Community and social services	**85,336,432**	74,114,397
Educational services	**5,319,850**	4,855,476
Undistributed	**2,102,104**	3,434,142
	330,498,083	299,161,870
Operating surplus before shareable amortization and non-shareable items	**880,841**	5,834,025
Shareable amortization	**880,841**	831,870
Operating surplus for government reporting before non-shareable items	**-**	5,002,155
Adjustments for non-shareable items		
Amortization expense	**7,495,771**	6,834,728
Accrued vacation expense – (decrease) increase	**(85,571)**	1,398,095
Accrued severance expense – increase	**564,586**	2,554,623
Amortization of deferred capital equipment grants	**(7,326,911)**	(6,650,007)
	647,875	4,137,439
(Deficit) surplus on operations	**$ (647,875)**	$ 864,716

Western Regional Health Authority

Statement of cash flows

Year ended March 31	2011	2010 (As restated Note 15)
Decrease in cash and cash equivalents		
Operating		
Operating (deficit) surplus	$ (647,875)	$ 864,716
Increase in severance and vacation pay accrual	479,015	3,952,718
Amortization of capital assets – non-shareable	7,495,771	6,834,728
Amortization of capital assets – shareable	880,841	831,870
Amortization of capital asset grants	(7,326,911)	(6,650,007)
	880,841	5,834,025
Changes in		
Receivables	(7,064,136)	4,317,759
Inventory	(595,884)	(1,711,578)
Prepaid expenses	(606,390)	(872,695)
Due from associated funds	(695,184)	49,537
Deferred contributions - operating	(11,821)	1,348,044
Payables and accruals	1,621,666	1,062,671
	(6,470,908)	10,027,763
Financing		
Increase (decrease) in bank indebtedness	7,835,732	(7,483,082)
Capital contributions	10,257,839	12,040,333
Repayment of long term debt – operating	(880,841)	(831,870)
	17,212,730	3,725,381
Investing		
Purchase of capital assets	(11,360,269)	(13,048,996)
Increase in restricted cash and investments	(6,669)	(12,559)
	(11,366,938)	(13,061,555)
Net (decrease) increase in cash and cash equivalents	(625,116)	691,589
Cash and cash equivalents		
Beginning of year	851,658	160,069
End of year	$ 226,542	$ 851,658

1. Nature of operations

The Western Regional Health Authority ("Western Health") is constituted under the Regional Health Authority's Act (formerly known as the Hospital's Act) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities as well as community health services in the western region of the Province of Newfoundland and Labrador.

Western Health is an incorporated not-for-profit with no share capital, and as such, is exempt from income tax.

2. Summary of significant accounting policies

Basis of presentation
These financial statements include the assets, liabilities, revenues, and expenditures of the operating, capital, and endowment funds.

Fund accounting
The Authority applies fund accounting principles in recording its financial transactions in the operating fund or net investment in capital assets.

The operating fund contains all the operating assets, liabilities, revenue and expenditures of the Authority related to the provision of health care services. The assets of the operating fund are available for the satisfaction of debts, contingent liabilities and commitments of the Authority.

The net investment in capital assets represents assets purchased with the operating fund.

Use of estimates
In preparing Western Health's financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks and short term deposits, with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Inventory
Inventory is valued at average cost. Cost includes purchase price plus the non-refundable portion of applicable taxes.

2. Summary of significant accounting policies (cont'd)

Capital assets

Western Health has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of Western Health. Capital assets acquired after January 1, 1996 are recorded at cost. Assets are not amortized until placed in use. Assets that are acquired through long term borrowing are amortized at an amount equal to the annual principal repayment of the debt obligation. The remaining assets in use are amortized on a declining balance basis at the following rates:

Land improvements	2 ½%
Buildings	6 ¼%
Parking lot	6 ¼%
Equipment	15%
Equipment under capital lease	15%
Motor vehicles	20%
Leasehold Improvements	20%

Capital and operating leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

Severance and vacation pay liability

An accrued liability for severance and vacation pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years of service.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

2. Summary of significant accounting policies (cont'd)

Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Capital contributions expended are recorded as deferred contributions and amortized to income on a declining balance basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions expended for non-depreciable capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and are not amortized until expended.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

The Authority reviews outstanding receivables at least annually and provides an allowance for receivables where collection has become questionable.

Pension costs

Employees of Western Health are covered by the Public Service Pension Plan and the Government Money Pension Plan administered by the Province of Newfoundland and Labrador. Contributions to the plans are required from both the employees and the Authority. The annual contributions for pensions are recognized in the accounts on a current basis.

Financial instruments

Section 3855, "Financial Instruments - Recognition and Measurement", requires the Authority to revalue all of its financial assets and liabilities at fair value on the initial date of implementation and at each subsequent financial reporting date.

This standard also requires the Authority to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in net assets for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

2. Summary of significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

In accordance with the standard, the Authority's financial assets and liabilities are generally classified and measured as follows:

Asset/Liability	**Classification**	**Measurement**
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Due from associated funds	Loans and receivables	Amortized cost
Trust funds on deposit	Held for trading	Fair value
Restricted cash and investments	Held for trading	Fair value
Bank indebtedness	Held for trading	Fair value
Payables and accruals	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost
Trust funds payable	Held for trading	Fair value

Other balance sheet accounts, such as inventory, prepaid expenses, capital assets, and deferred contributions are not within the scope of the accounting standards as they are not financial instruments.

Embedded derivatives are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by the standard, management reviewed contracts entered into or modified subsequent to April 1, 2003 and determined that the Authority does not currently have any significant embedded derivatives in its contracts that require separate accounting treatment.

The fair value of a financial instrument is the estimated amount that the Authority would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data and other valuation techniques were used as appropriate. The fair values of cash approximated its carrying value.

3. Control of not-for-profit entities

The Authority controls Gateway Apartments, Emile Benoit House & Units, Interfaith Home and Cottages, Bay St. George Cottages and LHC Cottages. These entities were established to provide housing to senior citizens.

The Authority is responsible for policy direction, distribution of operating funds and capital grants, and providing certain services to the homes, which are individually operated.

The above not-for–profit entities have not been consolidated into the Authority's financial statements; however separate financial statements are available on request. Financial summaries of these non-consolidated entities as at March 31, 2011 and 2010 and for the years then ended are as follows:

	2011	2010
Financial position		
Total assets	**$ 7,700,744**	$ 7,661,881
Total liabilities	**7,906,158**	7,641,034
Total net assets	**(205,414)**	20,847
	$ 7,700,744	$ 7,661,881
Results of operations		
Total revenue	**$ 1,761,750**	$ 1,551,258
Total expenditures	**1,841,864**	1,590,757
Transfer (to) from NLHC	**(6,979)**	10,296
Excess of expenditures over revenue	**$ (87,093)**	$ (29,203)
Cash flows		
Cash from operations	**$ 571,478**	$ 356,742
Cash used in financing and investing activities	**(427,858)**	(405,716)
Increase (decrease) in cash	**$ 143,620**	$ (48,974)

4. Receivables		**2011**		2010
Province of Newfoundland and Labrador				
Capital contributions	**$**	**1,357,196**	$	669,945
Provincial plan		**8,293,765**		7,393,684
MCP		**5,082,878**		2,014,762
Patient services		**1,994,430**		1,224,515
Employees' pay and travel advances		**446,597**		477,178
Harmonized sales tax rebate		**305,978**		607,457
Other		**4,225,861**		2,255,028
	$	**21,706,705**	$	14,642,569

5. Inventory		**2011**		2010
Dietary	**$**	**140,018**	$	119,995
Pharmacy		**1,746,181**		1,776,457
Supplies		**3,933,773**		3,327,636
	$	**5,819,972**	$	5,224,088

6. Due from associated funds		**2011**		2010
Cottages	**$**	**1,304,909**	$	677,958
Foundations		**116,225**		47,992
	$	**1,421,134**	$	725,950

Amounts due from associated funds are non-interest bearing with no set terms of repayment.

7. Capital assets

2011

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 674,808		$ 674,808
Land improvements	435,092	$ 243,523	191,569
Buildings	54,104,308	25,077,820	29,026,488
Parking lot	1,141,683	635,456	506,227
Equipment	105,087,845	64,853,429	40,234,416
Equipment under capital lease	7,162,767	6,645,731	517,036
Motor vehicles	1,096,229	723,810	372,419
Leasehold improvements	232,458	209,814	22,644
	$ 169,935,190	$ 98,389,583	$ 71,545,607

2010

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 674,808	$	$ 674,808
Land improvements	435,091	238,608	196,483
Buildings	51,706,863	23,515,388	28,191,475
Parking lot	1,141,682	601,708	539,974
Equipment	96,276,411	58,880,730	37,395,681
Equipment under capital lease	7,162,767	5,922,756	1,240,011
Motor vehicles	944,842	649,628	295,214
Leasehold improvements	232,458	204,154	28,304
	$ 158,574,922	$ 90,012,972	$ 68,561,950

Book value of capitalized items that have not been amortized $ $6,172,115 (2010 - $5,854,308)

8. Trust funds

Funds belonging to patients of the Authority are being held in trust for the benefit of the patients.

9. Bank indebtedness

The Authority has access to a line of credit with the Bank of Montreal in the amount of $17,000,000 (2010 - $21,500,000) in the form of revolving demand loans and/or bank overdrafts. The authorization to borrow has been approved by the Minister of Health and Community Services. The balance outstanding on this line of credit at March 31, 2011 is $8,736,624. Interest is being charged at prime less 1.15% on any overdraft (March 31, 2011 - 1.10%; March 31, 2010 – 1.10%).

10. Long term debt

	2011	2010
4.26% mortgage on the Bay St. George Seniors Home, maturing in 2021, payable in blended monthly payments of $13,544	$ **1,341,282**	$ 1,444,752
8% mortgage on the Bay St. George Seniors Home, maturing in 2026, payable in blended monthly payments of $9,523	**1,025,588**	1,057,741
7.875% mortgage on the Corner Brook Interfaith Home, maturing in 2022, repayable in blended monthly payments of $6,056	**537,512**	567,243
4.56% mortgage on the Woody Point Clinic, maturing in 2020, repayable in blended monthly payments of $2,304	**205,180**	223,032
Obligations under capital lease, 5.83%, maturing in 2011, payable in blended monthly payments of $61,759	**373,445**	1,071,080
	3,483,007	4,363,848
Less: Current portion	**567,100**	881,000
	$ **2,915,907**	$ 3,482,848

As security for the mortgages, Western Health has provided a first mortgage over land and buildings at the Corner Brook Interfaith Home, the Bay St. George Senior Citizens Home and Woody Point Clinic having a net book value of 2011 - $ 3,109,562 (2010 - 3,292,768)

As security for the capital leases Western Health has provided specific capital equipment having a net book value of 2011 - $ 517,036, (2010 – 1,240,011)

See Note 12 for five year principal repayment schedule.

11. Unrestricted deficiency

	2011	2010
Accumulated operating deficit	**$ 19,817,543**	$ 19,808,475
Accrued severance pay	**28,980,587**	28,416,001
Accrued vacation pay	**9,295,886**	9,381,457
	$ 58,094,016	$ 57,605,933

12. Obligations under long term debt and leases

Western Health has acquired building additions and equipment under the terms of long term debt and capital leases. Payments under these obligations, scheduled to expire at various dates to 2016 are as follows:

Fiscal year ended

2012	$ 567,100
2013	204,600
2014	216,200
2015	228,700
2016	241,800
	$ 1,458,400

13. Contingencies and commitments

Claims

As of March 31, 2011, there were a number of claims against the Authority in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Authority with respect to these claims, but management believes any claim, if successful, will be covered by liability insurance.

Operating leases

Western Health has a number of agreements whereby it leases vehicles, office equipment and buildings, in addition to those disclosed under Note 10. These leases are accounted for as operating leases. Future minimum lease payments for the next five years are as follows:

2011/2012	$ 2,730,687
2012/2013	1,917,269
2013/2014	1,481,104
2014/2015	958,914
2015/2016	157,665
	$ 7,245,639

13. Contingencies and commitments (cont'd)

Capital assets

During the year, the Authority entered into various contracts for the purchase and installation of capital equipment. At year end the Authority has a commitment to pay $917,663 once the equipment is delivered and installed.

14. Subsequent event

Subsequent to year-end the Department of Child Youth and Family Services began operating independently from the Authority. The impact on the Authority's operating surplus/deficit is nil as operating revenues in the current fiscal year were $19,646,764 and operating expenses were $19,646,764 (see schedule IIB)

15. Prior period adjustment

The Authority had previously deferred the "prime rebate" on the Worker's Compensation expenditures. The rebate was matched against the related expenditures in prior years after the likelihood of retaining the rebate was determined. As a result of this adjustment revenue and ending surplus/deficit has been affected. The 2010 comparative figures have been affected as follows:

	Increase
Revenue	$ 427,604
Surplus	$ 427,604

16. Comparative figures

Certain of the comparative figures have been restated to conform to the financial statement presentation used in the current year.

Western Regional Health Authority
Expenditures – operating/shareable
Schedule I

Year ended March 31	2011	2010
Administration		
General administration	$ 9,372,643	$ 9,076,337
Finance	3,222,147	2,996,312
Personnel services	3,660,804	3,339,738
System support	2,670,617	2,994,153
Other administrative	5,017,024	4,817,816
	23,943,235	23,224,356
Support services		
Housekeeping	10,159,295	8,879,292
Laundry and linen	2,698,726	2,487,591
Plant services	21,902,283	17,777,495
Patient food services	11,330,207	11,245,110
Other support services	13,100,886	12,963,810
	59,191,397	53,353,298
Nursing inpatient services		
Nursing inpatient services – acute	54,844,512	48,535,820
Medical services	19,997,452	17,595,219
Nursing inpatient services – long term care	25,900,575	24,739,920
	100,742,539	90,870,959
Ambulatory care services	23,105,791	20,870,643
Diagnostic and therapeutic services		
Clinical laboratory	9,991,958	9,355,396
Diagnostic imaging	8,684,373	7,946,276
Other diagnostic and therapeutic	12,080,404	11,136,927
	30,756,735	28,438,599

Western Regional Health Authority
Expenditures – operating/shareable
Schedule I (cont'd)

Year ended March 31		**2011**		2010
Community and social services				
Mental health and addictions	**$**	**6,709,567**	$	5,446,838
Community support programs		**49,019,442**		39,384,366
Family support programs		**19,263,192**		18,558,503
Community youth corrections program		**2,470,441**		2,419,751
Health promotion and protection program		**7,873,790**		8,304,939
		85,336,432		74,114,397
Education		**5,319,850**		4,855,476
Undistributed		**2,102,104**		3,434,142
Shareable amortization		**880,841**		831,870
Total expenditures	**$**	**331,378,924**	$	299,993,740

Western Regional Health Authority
Expenditures – operating/shareable – CYFS Excluded
Schedule IA

Year ended March 31	2011
Administration	
General administration	$ 9,372,643
Finance	3,222,147
Personnel services	3,660,804
System support	2,670,617
Other administrative	5,017,024
	23,943,235
Support services	
Housekeeping	10,159,295
Laundry and linen	2,698,726
Plant services	21,623,363
Patient food services	11,330,207
Other support services	13,100,886
	58,912,477
Nursing inpatient services	
Nursing inpatient services – acute	54,844,512
Medical services	19,997,452
Nursing inpatient services – long term care	25,900,575
	100,742,539
Ambulatory care services	23,105,791
Diagnostic and therapeutic services	
Clinical laboratory	9,991,958
Diagnostic imaging	8,684,373
Other diagnostic and therapeutic	12,080,404
	30,756,735

Western Regional Health Authority

Expenditures – operating/shareable – CYFS Excluded

Schedule IA(cont'd)

Year ended March 31	2011
Community and social services	
Mental health and addictions	$ 6,709,567
Community support programs	49,019,442
Family support programs	2,365,789
Community youth corrections program	
Health promotion and protection program	7,873,790
	65,968,588
Education	5,319,850
Undistributed	2,102,104
Shareable amortization	880,841
Total expenditures	$ 311,732,160

Western Regional Health Authority

Expenditures – operating/shareable – CYFS Only

Schedule 1B

Year ended March 31	2011
Support services	
Plant services	$ 278,920
Community and social services	
Family support programs	16,897,403
Community youth corrections program	2,470,441
	19,367,844
Total expenditures	$ 19,646,764

Western Regional Health Authority
Revenue and expenditures for government reporting
Operating fund
Schedule II

Year ended March 31	**2011**	2010 (As restated Note 15)
Revenue		
Provincial plan	**$ 279,870,622**	$ 257,801,362
MCP physician	**17,188,620**	14,502,037
ELCC	**1,728,277**	1,614,935
NCB	**1,502,441**	1,424,222
ECD	**1,406,226**	1,039,073
Inpatient	**1,968,001**	2,150,953
Outpatient	**1,670,204**	1,701,154
LTC resident	**6,962,113**	7,361,501
Mortgage interest subsidy	**40,507**	40,507
Food service	**2,152,488**	2,745,474
Other recoveries	**8,657,592**	9,014,756
Other	**8,231,833**	5,599,921
Total revenue	**331,378,924**	304,995,895
Expenditures		
Worked and benefit salaries and contributions	**174,922,085**	159,055,531
Benefit contributions	**29,929,004**	27,514,425
	204,851,089	186,569,956
Supplies – plant operations and maintenance	**6,484,050**	5,686,499
Supplies – drugs	**7,946,415**	7,340,397
Supplies – medical and surgical	**11,122,657**	9,366,780
Supplies – other	**13,467,103**	14,233,855
	39,020,225	36,627,531
Direct client costs – mental health and addictions	**268,193**	200,803
Direct client costs – community support	**36,252,880**	27,796,578
Direct client costs – family support	**8,829,223**	8,291,379
Direct client costs – community youth corrections	**9,740**	13,654
	45,360,036	36,302,414
Other shareable expenses	**41,030,135**	39,376,362

Western Regional Health Authority

Revenue and expenditures for government reporting

Operating fund

Schedule II (cont'd)

Year ended March 31	2011	2010 (As restated Note 15)
Expenditures (cont'd)		
Long term debt – interest	$ **193,131**	$ 202,724
Long term debt – principal	**183,206**	173,650
Capital lease – interest	**43,467**	82,883
Capital lease – principal	**697,635**	658,220
	1,117,439	1,117,477
Total expenditures	**331,378,924**	299,993,740
Operating surplus for government reporting	**-**	5,002,155
Long term debt - principal	**183,206**	173,650
Capital lease – principal	**697,635**	658,220
Surplus inclusive of other operations	**880,841**	5,834,025
Shareable amortization	**880,841**	831,870
Surplus before non-shareable items	**-**	5,002,155
Non-shareable items		
Amortization expense	**7,495,771**	6,834,728
Accrued vacation expense (decrease) increase	**(85,571)**	1,398,095
Accrued severance expense - increase	**564,586**	2,554,623
Amortization of deferred capital equipment grants	**(7,326,911)**	(6,650,007)
	647,875	4,137,439
(Deficit) surplus inclusive of non-shareable items	$ **(647,875)**	$ 864,716

Western Regional Health Authority
Revenue and expenditures for government reporting
Operating fund – CYFS Excluded
Schedule IIA

Year ended March 31	2011
Revenue	
Provincial plan	$ 264,753,998
MCP physician	17,188,620
ELCC	-
NCB	464,306
ECD	285,802
Inpatient	1,968,001
Outpatient	1,670,204
LTC resident	6,962,113
Mortgage interest subsidy	40,507
Food service	2,152,488
Other recoveries	8,616,075
Other	7,630,046
Total revenue	311,732,160
Expenditures	
Worked and benefit salaries and contributions	168,190,492
Benefit contributions	28,811,426
	197,001,918
Supplies – plant operations and maintenance	6,484,050
Supplies – drugs	7,946,415
Supplies – medical and surgical	11,122,657
Supplies – other	13,390,881
	38,944,003
Direct client costs – mental health and addictions	268,193
Direct client costs – community support	36,252,880
Direct client costs – family support	1,096,784
Direct client costs – community youth corrections	-
	37,617,857
Other shareable expenses	37,050,943

Western Regional Health Authority
Revenue and expenditures for government reporting
Operating fund – CYFS Excluded
Schedule IIA (cont'd)

Year ended March 31	2011
Expenditures (cont'd)	
Long term debt – interest	$ 193,131
Long term debt – principal	183,206
Capital lease – interest	43,467
Capital lease – principal	697,635
	1,117,439
Total expenditures	311,732,160
Operating surplus for government reporting	-
Long term debt - principal	183,206
Capital lease – principal	697,635
Surplus inclusive of other operations	880,841
Shareable amortization	880,841
Surplus before non-shareable items	-
Non-shareable items	
Amortization expense	7,495,771
Accrued vacation expense (decrease) increase	(85,571)
Accrued severance expense - increase	564,586
Amortization of deferred capital equipment grants	(7,326,911)
	647,875
(Deficit)/surplus inclusive of non-shareable items	$ (647,875)

Western Regional Health Authority
Revenue and expenditures for government reporting
Operating fund – CYFS Only
Schedule IIB

Year ended March 31	2011
Revenue	
Provincial plan	$ 15,116,624
ELCC	1,728,277
NCB	1,038,135
ECD	1,120,424
Other recoveries	41,517
Other	601,787
Total revenue	19,646,764
Expenditures	
Worked and benefit salaries and contributions	6,731,593
Benefit contributions	1,117,578
	7,849,171
Supplies – other	76,222
Direct client costs – family support	7,732,439
Direct client costs – community youth corrections	9,740
	7,742,179
Other shareable expenses	3,979,192
Total expenditures	19,646,764
Surplus inclusive of non-shareable items	$ -

Western Regional Integrated Health Authority
Funding and expenditures for government reporting
Capital transactions
Schedule III

Year ended March 31		2011		2010
Sources of funds				
Provincial capital equipment grant for current year	$	**7,776,062**	$	8,305,453
Provincial facility capital grant in current year		**6,145,900**		4,990,000
Add: Deferred capital grant from prior year		**18,283,370**		19,292,033
Less: Capital facility grant reallocated for operating fund purchases		**(3,999,334)**		(2,458,095)
Less: Deferred capital grant from current year		**(17,180,944)**		(18,283,370)
		11,025,054		11,846,021
Other contributions				
Foundations, auxiliaries and other		**335,215**		1,202,975
Total funding		**11,360,269**		13,048,996
Capital expenditures				
Asset, building and land		**2,397,445**		2,932,175
Asset, equipment		**8,962,824**		10,116,821
		11,360,269		13,048,996
Total expenditures		**11,360,269**		13,048,996
Surplus on capital purchases	$	**-**	$	-

Western Regional Health Authority
Accumulated operating deficit for government reporting
Schedule IV

Year ended March 31		2011		2010
Accumulated operating deficit				
Current assets				
Cash and cash equivalents	$	**226,542**	$	851,658
Accounts receivable		**21,706,705**		14,642,569
Inventory		**5,819,972**		5,224,088
Prepaid expenses		**7,413,904**		6,807,514
Due from associated funds		**1,421,134**		725,950
Other		**(9,419)**		(7,024)
Total assets		**36,578,838**		28,244,755
Current liabilities				
Bank indebtedness		**8,736,624**		900,892
Accounts payable and accrued liabilities		**24,937,325**		23,315,659
Deferred contributions – operating		**5,541,488**		5,553,309
Deferred contributions - capital		**17,180,944**		18,283,370
Total current liabilities		**56,396,381**		48,053,230
Accumulated operating deficit		**(19,817,543)**		(19,808,475)
Reconciliation of operating deficit – operating fund only				
Accumulated operating deficit – beginning of year		**(19,808,475)**		(24,795,490)
Add: Net operating income per schedule II		-		5,002,155
Less: Restricted interest (income) loss		**(9,068)**		(15,140)
Accumulated operating deficit –end of year	$	**(19,817,543)**	$	(19,808,475)

Western Regional Health Authority
NLHC Seniors Cottages
Financial Statements
March 31, 2011

TODD R. P . LEE
CHARTERED ACCOUNTANT

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Independent Auditor's report

To the Directors of
Western Regional Health Authority

Report on Financial Statements

I have audited the accompanying financial statements of Gateway Cottages Association, Apartment Project, Interfaith # 3 and Bay St George & Emile Benoit House, which comprise the statement of financial position as at March 31, 2011, and the statement of comprehensive income, statement of changes in cash flows for the year then ended, and a summary of significant of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparations and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

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Independent Auditor's report

Auditor's Responsibility

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Gateway Cottages Association, Apartment Project, Interfaith # 3 and Bay St George & Emile Benoit House as at March 31, 2011 and its financial performance and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P . Lee
Chartered Accountant

Deer Lake, NL
June 21, 2011

Western Regional Health Authority
NLHC Seniors Cottages
Statement of Revenue and Expenses
For the Year Ended March 31, 2011

	Budget	2011	2010
Revenue			
Rentals	$ 227,604	$ 224,447	$ 225,034
NLHC subsidy (Note 2)	260,897	260,897	232,297
Electrical surcharge	15,000	14,890	13,461
Laundry recoveries	7,080	7,175	8,606
Meal program	27,600	26,160	26,508
Stimulus funding	-	197,641	-
	538,181	731,210	505,906
Expenses			
Administration	16,388	18,190	16,704
Depreciation	128,174	128,174	123,478
Heat and light	90,178	86,388	86,888
Insurance	3,850	4,353	4,013
Interest on long term debt	106,523	106,112	110,825
Janitorial	9,000	9,000	9,000
Meal program cost	18,000	21,112	17,734
Municipal tax	35,469	35,414	32,357
Professional fees	4,200	4,824	4,030
Repairs and maintenance(Note 7)	97,941	96,381	86,427
Snowclearing	20,996	16,642	27,746
Stimulus expenditures	-	197,641	
	530,999	724,231	516,202
Excess of revenue over expenses (expenses over revenue)	7,182	6,979	(10,296)
Transfer (to) from NLHC	(7,182)	(6,979)	10,296
	$ NIL	$ NIL	$ NIL

See accompanying notes to the financial statements

Western Regional Health Authority
NLHC Seniors Cottages
Balance Sheet
March 31, 2011

	2011	2010
Assets		
Current		
Cash and cash equivalents (Note 1)	$ 188,690	$ 104,274
Receivables	20,587	6,989
Due from NLHC (Note 2)	190,661	10,294
Due from replacement reserve fund	51,206	12,086
Prepaid expenses	26,968	26,424
	478,112	160,067
Replacement reserve fund (Note 3)	113,891	140,599
Property and equipment (Note 4)	2,800,282	2,928,456
	$ 3,392,285	$ 3,229,122
Liabilities		
Current		
Payables and accruals	$ 470,349	$ 152,304
Deferred grant	7,755	7,755
Current portion of long term debt	124,800	119,300
	602,904	279,359
Long term debt (Note 5)	2,670,112	2,803,786
	3,273,016	3,083,145
Net Assets		
Net assets restricted for replacement reserve purposes	113,891	140,599
Contributed surplus	5,378	5,378
	119,269	145,977
	$ 3,392,285	$ 3,229,122

On behalf of the Board

________________ Member ________________ Member

See accompanying notes to the financial statements.

Western Regional Health Authority
NLHC Seniors Cottages
Statement of Cash Flows
For the Year Ended March 31, 2011

	2011	2010
Cash and cash equivalents derived from (applied to):		
Operating		
Depreciation	$ 128,174	$ 123,478
Changes in		
Receivables	(13,598)	6,498
Prepaid expenses	(544)	(2,876)
Due from NLHC	(180,367)	18,340
Due from replacement reserve fund	(39,120)	56,078
Payables and accruals	318,045	(91,134)
	212,590	110,384
Financing		
Reduction of long term debt	(128,174)	(123,478)
Net decrease in cash and cash equivalents	84,416	(13,094)
Cash and cash equivalents		
Beginning of year	104,274	117,368
End of year	$ 188,690	$ 104,274
Interest paid	$ 106,523	$ 110,825

See accompanying notes to the financial statements.

Western Regional Health Authority
NLHC Seniors Cottages
Statement of Changes in Net Assets
For the Year Ended March 31, 2011

			2011	2010
	Restricted for replacement reserve purposes	Contributed surplus	**Total**	Total
Balance, beginning of year	$ 140,599	$ 5,378	**$ 145,977**	$ 156,839
Expenses paid during the year	(26,708)	-	**(26,708)**	(10,862)
Balance, end of year	$ 113,891	$ 5,378	**$ 119,269**	$ 145,977

See accompanying notes to the financial statements.

Western Regional Health Authority
NLHC Seniors Cottages
Notes to the Financial Statements
March 31, 2011

1. Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents includes cash on hand and balances with banks. Bank borrowings are considered financing activities.

Depreciation
Depreciation on the buildings is recorded at an amount equal to the annual principal repayment on the mortgages.

2. Due from (to) NLHC	2011	2010
Balance, beginning of year	$ 10,294	$ 28,634
Subsidy for the year	260,897	232,297
Net income/loss (payable to)/ receivable from NLHC	(6,980)	10,296
Mortgage payments from NLHC	(234,696)	(234,696)
Advances received from NLHC	(59,395)	(60,134)
Repayments issued to NLHC	22,900	33,897
Federal stimulus funding	197,641	-
Due from NLHC, end of year	$ 190,661	$ 10,294

3. Replacement reserve fund

Newfoundland and Labrador Housing Corporation (NLHC) maintains a consolidated replacement reserve fund to maintain and account for replace reserve funds for non-profit housing groups. Prior to 1996, the group was responsible for its own replacement reserve. NLHC provides the organization with an annual statement as of March 31, indicating its reserve balance. The funds in the account may only be used as approved by NLHC. Withdrawals are credited to interest first and then principal. Transactions in the reserve consist of the following:

	2011	2010
Balance, beginning of year	$ 140,599	$ 151,461
Expenses paid during the year	(26,708)	10,862
Balance, end of year	$ 113,891	$ 140,599
Balance, end of year		
Principal	$ 113,891	$ 140,599
Interest	-	-
	$ 113,891	$ 140,599

Western Regional Health Authority
NLHC Seniors Cottages
Notes to the Financial Statements
March 31, 2011

4. Property and equipment

	Cost	Accumulated Depreciation	2011 Net Book Value	2010 Net Book Value
Land	$ 124,911	$ -	$ 124,911	$ 124,911
Buildings	3,946,573	1,331,642	2,614,931	2,743,105
Equipment	60,440	-	60,440	60,440
	$ 4,131,924	$ 1,331,642	$ 2,800,282	$ 2,928,456

5. Long term debt

	2011	2010
Gateway Apartments 4.31% NLHC mortgage maturing in 2012, repayable in blended monthly instalments of $7,361 until March 2012	$ 880,198	$ 929,763
Interfaith #3 2.14% NLHC mortgage maturing in 2014, repayable in blended monthly instalments of $3,953 until March 2014	724,838	756,467
Bay St George Senior 8 Unit 4.31% NLHC mortgage maturing 2012, repayable in Blended monthly instalments of $2,742 until March 2012	387,716	403,677
Bay St George Emile Benoit 4.31% NLHC mortgage maturing 2012 repayable in blended monthly instalments of $5,502 until March 2012	802,160	833,179
	2,794,912	2,923,086
Less: current portion	124,800	119,300
	$ 2,670,112	$ 2,803,786

As security the home provided a mortgage on the land and buildings.

Principal payments over the next five years are as follows: 2012 - $124,800, 2013 - $130,500; 2014 - $136,500; 2015 - $142,700; 2016 - $149,400.

Western Regional Health Authority
NLHC Seniors Cottages
Notes to the Financial Statements
March 31, 2011

6. Related party transaction

i. The financial statements include accounts payable of $431,918 (2010 - $118,304) to Western Regional Health Authority.

ii the following expenses were paid to Western Regional Health Authority, a related party.

	2011	2010
Administration	$ 15,296	$ 15,296
Janitorial	9,000	9,000
Maintenance	4,800	6,623
	$ 29,096	$ 30,919

7. Repairs and maintenance

	2010	2010
Fire Alarm	$ 5,339	$ 4,533
Maintenance supplies	16,966	17,548
Security	972	891
Elevator maintenance	9,687	9,156
Service maintenance	4,800	4,800
Salaries	58,617	49,499
	$ 96,381	$ 86,427

8. Combined Statements

The combined Financial Statements include Gateway Cottages – Apartment Project, Interfaith # 3 and Bay St George 8 Unit & Emile Benoit House.

Western Regional Health Authority
Gateway Cottages Association
Apartment Project
Statement of Revenue and Expenses
For the Year Ended March 31, 2011

	Budget	2011	2010
Revenue			
Rent	$ 80,400	$ 78,179	$ 78,497
Electricity	5,520	5,250	5,520
Laundry	2,520	2,520	2,520
NLHC subsidy (Note 2)	95,335	95,335	87,135
Stimulus funding	-	77,464	-
	183,775	259,018	173,672
Expenses			
Administration	6,500	6,500	6,500
Depreciation	49,565	49,565	47,496
Heat and light	31,500	31,082	30,222
Insurance	1,500	1,564	1,300
Interest and bank charges	280	422	203
Interest on long term debt	38,770	38,589	40,666
Janitorial	9,000	9,000	9,000
Municipal tax	12,939	12,767	11,809
Professional fees	1,400	1,742	1,412
Repairs and maintenance	26,044	29,885	25,668
Snowclearing	2,496	1,019	1,476
Stimulus expenditures	-	77,464	-
	179,994	259,599	175,752
Excess of (expenses over revenue) revenue over expenses	3,781	(581)	(2,080)
Transfer from (to) NLHC (Note 2)	(3,781)	581	2,080
	$ NIL	$ NIL	$ NIL

See accompanying notes to the financial statements

Western Regional Health Authority
NLHC Seniors Cottages
Schedule of Income & Expenses
Interfaith # 3
March 31, 2011

	Budget	2011	2010
Revenue			
Rentals	$ 53,004	$ 52,052	$ 52,126
NLHC subsidy (Note 2)	51,442	51,442	40,042
Laundry	1,440	1,420	1,430
Electricity	2,880	2,840	2,860
Stimulus funding	-	82,177	-
	108,766	189,931	96,458
Expenses			
Administration	3,600	4,068	3,847
Depreciation	31,629	31,629	30,963
Heat and light	18,928	17,922	18,613
Insurance	850	1,340	1,548
Interest on long term debt	15,813	15,755	16,423
Municipal tax	6,630	6,746	5,719
Professional fees	1,400	1,541	1,284
Repairs and maintenance	14,970	7,567	14,083
Snowclearing	13,500	7,156	16,997
Stimulus expenditures	-	82,177	-
	107,320	175,901	109,477
Excess of revenue over expenses (expenses over revenues)	1,446	14,030	(13,019)
Transfer (to) from NLHC (Note 2)	(1,446)	(14,030)	13,019
	$ NIL	$ NIL	$ NIL

Western Regional Health Authority
NLHC Seniors Cottages
Schedule of Income & Expenses
Bay St George 8 Unit & Emile Benoit House
March 31, 2011

	Budget	2011	2010
Revenue			
Rentals	$ 94,200	$ 94,216	$ 94,411
NLHC subsidy (Note 2)	114,120	114,120	105,120
Electrical surcharge	6,600	6,530	6,511
Laundry recoveries	3,120	3,235	3,226
Meal program	27,600	26,160	26,508
Stimulus funding	-	38,000	-
	245,640	282,261	235,776
Expenses			
Administration	6,288	7,200	6,154
Depreciation	46,980	46,980	45,019
Heat and light	39,750	37,384	38,053
Insurance	1,500	1,449	1,165
Interest on long term debt	51,940	51,768	53,736
Meal program cost	18,000	21,112	17,734
Municipal tax	15,900	15,901	14,829
Professional fees	1,400	1,541	1,334
Repairs and maintenance	56,927	58,929	46,676
Snowclearing	5,000	8,467	6,273
Stimulus funding	-	38,000	-
	243,685	288,731	230,973
Excess of revenue over expenses (expenses over revenue)	1,955	(6,470)	4,803
Transfer (to) from NLHC	(1,955)	6,470	(4,803)
	$ NIL	$ NIL	$ NIL

Replacement Reserve

	2011	2010
Balance, end of year		
Principal	$ 113,891	$ 140,599
Interest	-	-
	$ 113,891	$ 140,599

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Auditors Confirmation

Newfoundland and Labrador Housing Confirmation

I have audited the balance sheet of the combined statements of Gateway Cottages Association, Apartment Project, Interfaith # 3 and Bay St George & Emile Benoit House as at March 31, 2011 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion

The organization has requested and obtained evidence of the income of lessees in designated units as required by the Operating Agreement with Newfoundland and Labrador Housing Corporation.

The organization has applied a rent-to-income scale for the income-test occupants in accordance with the operating agreement.

This organization has adjusted the occupancy charges for income-tested occupants in accordance with the operating agreement.

This has been done for those tenants whose sources of income include sources other than Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), and for those households where the household composition has changed.

For tenants whose only source of income is from either Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), their last lease renewal locked in their rent for a period of 3 years, unless a tenant receives income from another source during this period.

With reference to the Reserve Fund presented in the audited financial statements for the year ended March 31, 2011, the Replacement Reserve Fund has been fully funded. Interest accruing on these funds has not been recorded.

TODD R. P. LEE
Chartered Accountant

Deer Lake, NL
June 21, 2011

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Financial Statements
March 31, 2011

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Independent Auditor's report

To the Directors of
Western Regional Health Authority

Report on Financial Statements

I have audited the accompanying financial statements of Bay St George Seniors Home – 30 Unit cottages, which comprise the statement of financial position as at March 31, 2011, and the statement of comprehensive income, statement of changes in cash flows for the year then ended, and a summary of significant of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparations and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

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Independent Auditor's report

Auditor's Responsibility

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Bay St George Seniors Home – 30 Unit cottages as at March 31, 2011 and its financial performance and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P . Lee
Chartered Accountant

Deer Lake, NL
June 21, 2011

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Statement of Revenue and Expenses
For the Year Ended March 31, 2011

	2011	2010
Revenue		
Rentals	$ 180,440	$ 184,548
CMHC subsidy (Note 5)	59,670	59,670
	240,110	244,218
Expenses		
Administration	4,204	3,996
Allocation to replacement reserve fund (Note 2)	11,545	11,545
Depreciation	86,508	82,637
Heat and light	59,035	47,691
Insurance	1,853	1,490
Inspections	1,273	1,273
Interest on long term debt	32,578	36,463
Municipal tax	17,618	17,624
Professional fees	1,541	1,335
Repairs and maintenance	15,480	8,459
Salaries – repairs and maintenance	28,720	14,629
	260,355	227,142
Net (loss) earnings	$ (20,245)	$ 17,076

See accompanying notes to the financial statements

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Balance Sheet
March 31, 2011

	2011	2010
Assets		
Current		
Cash and cash equivalents (Note 1)	$ 46,932	$ 53,508
Receivables	360	-
HST receivable	9,651	4,153
Due from Replacement Reserve fund	2,062	896
Prepaid expenses	13,218	13,218
	72,223	71,775
Replacement reserve fund (Note 2)	8,252	9,418
Property and equipment (Note 3)	667,148	753,656
	$ 747,623	$ 834,849
Liabilities		
Current		
Payables and accruals	$ 218,122	$ 197,229
Security deposits	2,800	3,000
Current portion of long term debt	90,800	86,700
	311,722	286,929
Long term debt (Note 4)	579,154	669,762
	890,876	956,691
Net Assets		
Net assets restricted for replacement reserve purposes	8,252	9,418
Contributed Surplus	1,142	1,142
Deficit	(152,647)	(132,402)
	(143,253)	(121,842)
	$ 747,623	$ 834,849

On behalf of the Board

Member Member

See accompanying notes to the financial statements.

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Statement of Cash Flows
Year Ended March 31,2011

	2011	2010
Cash and cash equivalents derived from (applied to):		
Operating		
Net Income	$ (20,245)	$ 17,076
Depreciation	86,508	82,637
	64,263	99,713
Changes in		
Receivables	(7,024)	8,804
Payables and accruals	20,893	(10,567)
Security deposits	(200)	200
	79,932	98,150
Financing		
Reduction of long-term debt	(86,508)	(82,637)
Net (decrease) increase in cash and cash equivalents	(6,576)	15,513
Cash and cash equivalents		
Beginning of year	53,508	37,995
End of year	$ 46,932	$ 53,508
Interest paid	$ 32,918	$ 36,463

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Statement of Changes in Net Assets
For the Year Ended March 31, 2011

	Restricted for replacement reserve purposes	Contributed Surplus	Deficit	2011 Total	2010 Total
Balance, beginning of year	$ 9,418	$ 1,142	$ (132,402)	$(121,842)	$(141,124)
Transfer for the year	11,545	-	-	11,545	11,545
Net earnings (loss)	-	-	(20,245)	(20,245)	17,076
Expense paid during the year	(12,711)	-	-	(12,711)	(9,339)
Interest	-	-	-	-	-
Balance, end of year	$ 8,252	$ 1,142	$ (152,647)	$(143,253)	$(121,842)

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Notes to Financials
March 31, 2011

1. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents includes balances with banks and short term deposits. Bank borrowings are considered financing activities.

Depreciation

Depreciation is provided on the buildings, furniture, and equipment purchased from loans insured by the CMHC at a rate equal to the annual principal reduction of the mortgage. No depreciation is charged on other fixed assets. Donated fixed assets are not depreciated.

2. Replacement reserve fund

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the Replacement Reserve account is to be credited in the amount of $11,545 annually until it accumulates to $115,450 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal.

At year-end, the amounts in the reserve consisted of the following:

	2011	2010
Segregated cash	$ 10,314	10,314
Payable to operating	(2,062)	(896)
	$ 8,252	$ 9,418

Western Regional Health Authority
Bay St. George Senior Citizens Home
30 Unit Cottages
Notes to Financials
March 31, 2011

3. Property and equipment

	Cost	Accumulated Depreciation	2011 Net Book Value	2010 Net Book Value
Land improvements	$ 91,781	$ -	$ 91,781	$ 91,781
Buildings	1,378,446	828,797	549,649	632,697
Equipment	60,039	34,321	25,718	29,178
	$ 1 530 266	$ 863 118	$ 667 148	$ 753 656

4. Long term debt

	2011	2010
4.63% CMHC loan maturing in 2012, repayable in monthly principal and interest instalments of $9,952, amortized to 2017	$ 669,954	$ 756,462
Less: current portion	(90,800)	86,700
	$ 579,154	$ 669,762

As security, the home provided a mortgage on the building known as Block A, Stephenville Crossing.

Principal payments over the next five years are as follows: 2012 - $90,800; 2013 - $95,100; 2014 - $99,700; 2015 - $104,464; 2016 - $109,500.

5. CMHC subsidy

Bay St. George Senior Citizens Home – 30 Unit Cottages has received federal assistance through CMHC pursuant to the National Housing Act. The assistance, paid by NLHC, their agent, is intended to reduce operating expenses enabling the Cottages to provide housing to low-income individuals. The amount of assistance received during the year was $59,670 (2010-$59,670).

6. Related party transaction

i) The financial statements include a payable to the Western Regional Health Authority of $198,229 (2010 - $172,801).

ii) Administration fees and repairs and maintenance salaries have been paid to Western Regional Health Authority.

TODD R. P. LEE
CHARTERED ACCOUNTANT

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Auditors' Confirmation

Newfoundland and Labrador Housing Corporation

I have audited the balance sheet of Bay St. George Senior Citizens Home – 30 unit cottages as at March 31, 2011 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion

The organization has not applied the occupancy charge-to-income ratio. Rentals are based upon a flat monthly charge.

With reference to the Statement of Changes in Net Assets presented in the financial statements for the year ended March 31, 2011, the replacement reserve has been fully funded and maintained. All interest accruing to this fund has been recorded.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
June 21, 2011

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Financial Statements
March 31, 2011

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Independent Auditor's report

To the Directors of
Western Regional Health Authority

Report on Financial Statements

I have audited the accompanying financial statements of Gateway Cottages Association – Cottage Project, which comprise the statement of financial position as at March 31, 2011, and the statement of comprehensive income, statement oi changes in cash flows for the year then ended, and a summary of significant of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparations and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

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Independent Auditor's report

Auditor's Responsibility

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Gateway Cottages Association – Cottage Project as at March 31, 2011 and its financial performance and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P . Lee
Chartered Accountant

Deer Lake, NL
June 21, 2011

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Statement of Revenue and Expenses
For the Year Ended March 31, 2011

	2011	2010
Revenue		
Rent	$ 121,450	$ 119,745
CMHC subsidy (Note 5)	17,755	17,755
	139,205	137,500
Expenses		
Allocation to replacement reserve fund	11,352	9,233
Depreciation	57,587	55,975
Heat and light	33,399	33,887
Insurance	1,307	1,520
Interest and bank charges	258	398
Interest on long term debt	15,154	16,771
Municipal tax	12,305	11,193
Professional fees	1,742	1,412
Snowclearing	4,369	2,947
Repairs and maintenance	21,558	16,605
Inspections	862	689
	159,893	150,630
Net loss	$ (20,688)	$ (13,130)

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Balance Sheet
March 31, 2011

	2011	2010
Assets		
Current		
Prepaid expenses	$ 9,229	$ 9,229
Replacement reserve fund (Note 2)	85,681	95,520
Property and equipment (Note 3)	505,239	562,826
	$ 600,149	$ 667,575
Liabilities		
Current		
Payables and accruals	$ 104,962	$ 87,149
Due to replacement reserve fund	79,411	76,536
Current portion of long term debt	56,900	54,500
	241,273	218,185
Long term debt (Note 4)	449,355	509,342
	690,628	727,527
Net Assets		
Net assets restricted for replacement reserve purposes (Note 2)	85,681	95,520
Deficit	(176,160)	(155,472)
	(90,479)	(59,952)
	$ 600,149	$ 667,575

On behalf of the Board

________________ Member ________________ Member

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Statement of Cash Flows
For the Year Ended March 31, 2011

	2011	
2010		
Cash and cash equivalents derived from (applied to)		
Operating		
Net loss	$ (20,688)	$ (13,130)
Depreciation	57,587	55,975
	36,899	42,845
Changes in		
Prepaid expenses	-	(1,111)
Payables and accrual	17,813	14,048
Due to replacement reserve	2,875	193
	57,587	55,975
Financing		
Reduction of long term debt	(57,587)	(55,975)
Net increase in cash and cash equivalents	$ -	$ -
Interest paid	$ 15,294	$ 16,906

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Statement of Changes in Net Assets
For the Year Ended March 31, 2011

	Restricted for replacement reserve purposes	Surplus/ Deficit	2011 Total	2010 Total
Balance, beginning of year	$ 95,520	$ (155,472)	$ (59,952)	$ (46,822)
Net loss	-	(20,688)	(20,688)	(13,130)
Allocation from operations to replacement reserve	11,352	-	11,352	9,233
Expenses paid, during the year	(21,210)	-	(21,210)	(9,242)
Interest	19	-	19	9
Balance, end of year	$ 85,681	$ (176,160)	$ (90,479)	$ (59,952)

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Notes to the Financial Statements
March 31, 2011

1. Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents includes balances with banks and short term deposits. Bank borrowings are considered financing activities.

Depreciation
Depreciation is provided on buildings, furniture and equipment purchased from loans insured by the CMHC at a rate equal to the annual principal reduction of the mortgage. No depreciation is charged on other fixed assets. Donated fixed assets are not depreciated.

2. Replacement reserve fund

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the Replacement Reserve account is to be credited in the amount of $11,352 annually until it accumulates to $95,520 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal.

At year end, the amounts in the reserve consisted of the following:

Segregated cash and cash equivalents		
Cash	$ -	$ -
Short term deposits	5,320	5,301
Non-segregated cash	950	13,683
Receivable from operating fund	79,411	76,536
	$ 85,681	$ 95,520

3. Property and equipment

			2011	2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Buildings	$ 1,150,074	$ (682,418)	$ 457,656	$ 515,243
Equipment	47,583	-	47,583	47,583
	$ 1,197,657	$ (692,418)	$ 505,239	$ 562,826

Western Regional Health Authority
Gateway Cottages Association
Cottage Project
Notes to the Financial Statements
March 31, 2011

4. Long term debt

	2011	2010
2.86% CMHC loan due in 2018, repayable in monthly blended instalments of $6,073 until December 1, 2013	$ 506,255	$ 563,842
Less: current portion	(56,900)	(54,500)
	$ 449,355	$ 509,342

As security the Association provided a mortgage on the building, a chattel mortgage on equipment and an assignment of rent and fire insurance.

Principal payments over the next five years are as follows: 2012 - $56,900; 2013- $59,500; 2014 - $62,200; 2015 - $64,989; 2016 - $67,900.

5. CMHC subsidy

Gateway Cottages Association - Cottage Project has received federal assistance through CMHC pursuant to Section 27 of the National Housing Act. The assistance, paid by NLHC, their agent, is intended to reduce operating expenses enabling the Cottages to provide housing to low-income individuals. The amount of assistance received during the year was $17,755 (2010 - $17,755).

6. Related party transactions

The financial statements include accounts payable to the Western Regional Health Authority of $98,157 (2010 - $77,596).

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Auditors' Confirmation

Newfoundland and Labrador Housing Corporation

I have audited the balance sheet of Gateway Cottages Association – Cottage Project as at March 31, 2011 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion

The organization has not applied the occupancy charge-to-income ratio. Rentals are based upon a flat rated charge depending if the unit is one or two bedrooms.

With reference to the Statement of Replacement Reserve Fund presented in the financial statements for the year ended March 31, 2011, the replacement reserve has not been fully funded and maintained. All interest accruing to this fund has been recorded.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
June 21, 2011

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Financial Statements
March 31, 2011

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Independent Auditor's report

To the Directors of
Western Regional Health Authority

Report on Financial Statements

I have audited the accompanying financial statements of Interfaith Home for Seniors – Cottages 1 & 2, which comprise the statement of financial position as at March 31, 2011, and the statement of comprehensive income, statement of changes in cash flows for the year then ended, and a summary of significant of accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparations and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the audit considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial statements.

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Independent Auditor's report

Auditor's Responsibility

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Interfaith Home for Seniors – Cottages 1 & 2 as at March 31, 2011 and its financial performance and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Todd R. P . Lee
Chartered Accountant

Deer Lake, NL
June 21, 2011

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Statement of Loss
Year Ended March 31, 2011

	2011	2010
Revenue		
Rentals	$ 501,472	$ 508,328
NLHC subsidy (Note 5)	75,650	75,303
CMHC subsidy (Note 6)	74,103	80,003
	651,225	663,634
Expenses		
Administration	$ 18,526	$ 19,214
Allocation to replacement reserve fund (Note 2)	18,128	18,128
Depreciation	155,589	143,627
Heat and light	147,432	155,744
Insurance	5,289	4,568
Interest on long term debt	120,695	139,658
Janitorial and garbage removal	679	658
Municipal tax	58,568	51,899
Professional fees	1,627	1,412
Repairs and maintenance	161,075	146,599
Snow clearing	9,777	15,276
	697,385	696,783
Net loss	$ (46,160)	$ (33,149)

Western Regional Health Authority
Inter- Faith Home for Senior Citizens
Cottages #1 & #2
Balance Sheet
March 31, 2011

	2011	2010
Assets		
Current		
Cash and cash equivalents	$ 159,197	$ 93,417
Receivables (net of allowance)	18,816	4,338
Due from Replacement reserve	225,613	124,158
Prepaid expenses	47,097	42,869
	450,723	264,782
Property and equipment (Note 3)	2,509,964	2,665,553
	$ 2,960,687	$ 2,930,335
Liabilities		
Current		
Payables and accruals	$ 586,302	$ 355,281
Replacement reserve fund	225,613	124,158
Current portion of long term debt	157,000	150,100
	968,915	629,539
Long term debt (Note 4)	2,054,778	2,217,267
Severance pay accrual	27,945	26,865
	3,051,638	2,873,671
Net Assets		
Net assets restricted for replacement reserve purposes (Note 2)	(225,613)	(124,158)
Contributed surplus	278,846	278,846
Deficit	(144,184)	(98,024)
	(90,951)	56,664
	$ 2,960,687	$ 2,930,335

On behalf of the Board

____________________ Member

____________________ Member

See accompanying notes to the financial statements.

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Statement of Cash Flows
Year Ended March 31, 2011

	2011	2010
Cash and cash equivalents derived from (applied to)		
Operating		
Net loss	$ (46,160)	$ (33,149)
Depreciation	155,589	143,627
	109,429	110,478
Changes in		
Receivables	(14,478)	1,520
Prepaid expenses	(4,228)	(5,259)
Payables and accruals	231,021	47,296
Due from replacement reserve	(101,455)	(64,082)
Severance pay accrual	1,080	2,280
	221,369	92,233
Financing		
Reduction of long term debt	(155,589)	(143,626)
Net increase (decrease) in cash and cash equivalents	65,780	(51,393)
Cash and cash equivalents		
Beginning of year	93,417	144,810
End of year	$ 159,197	$ 93,417
Interest paid	$ 122,271	$ 140,990

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Statement of Changes in Net Assets
Year Ended March 31, 2011

				2011	2010
	Restricted for replacement reserve	Contributed Surplus	Surplus	Total	Total
Balance, beginning of year	$ (124,158)	$ 278,846	$ (98,024)	$56,664	$ 153,895
Net loss	-	-	(46,160)	(46,160)	(33,149)
Transfer for the year	18,128	-	-	18,128	18,128
Expenses paid					
During the year	(119,583)	-	-	(119,583)	(82,210)
Balance, end of year	$ (225,613)	$ 278,846	$ (144,184)	$(90,951)	56,664

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Notes to the Financial Statements
March 31, 2011

1. Summary of significant accounting policies

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered financing activities.

Depreciation
Depreciation is provided on the buildings, furniture and equipment purchased from loans insured by the CMHC at a rate equal to the annual principal repayment of the mortgage. No depreciation is charged on other fixed assets. Donated fixed assets are not depreciated.

Severance pay
An accrued liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years.

2. Replacement reserve fund

Under the terms of the agreement with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve account is to be credited in the amount of $18,128 annually until the reserve accumulates to $181,280 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are charged to interest first and then principal.

At year end, the funds in the reserve consisted of the following:

	2011	2010
Payable from operating	$ (225,613)	$ (124,158)
	$ (225,613)	$ (124,158)

Western Regional Health Authority
Inter-Faith Home for Senior Citizens
Cottages #1 & #2
Notes to the Financial Statements
March 31, 2011

3. Property and equipment

			2011	2010
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 210,258	$ -	$ 210,258	$ 210,258
Buildings	3,784,620	1,619,968	2,164,652	2,320,241
Equipment	135,054	-	135,054	135,054
	$ 4,129,932	$ 1,619,968	$ 2,509,964	$ 2,665,553

4. Long term debt

	2011	2010
Interfaith #1 10% CMHC loan due 2028, repayable in monthly principal and interest instalments of $8,028	$ 796,006	$ 813,397
Interfaith #2 2.65% CMHC mortgage due 2019, amortized over 25 years, repayable in monthly principal and interest instalments of $7,370	690,278	759,545
Interfaith #2 2.40% CMHC mortgage due 2020, amortized over 25 years, repayable in monthly principal and interest instalments of $7,473	725,494	794,425
	2,211,778	2,367,637
Less: current portion	(157,000)	(150,100)
	$ 2,054,778	$ 2,217,267

As security Cottages #1 & 2 has provided a mortgage on the land and building.

Principal repayments over the next five years are as follows: 2012 - $157,000; 2013 - $ 165,000; 2014 - $174,000; 2015 - $180,100; 2016 - $188,700.

5. Newfoundland and Labrador Housing Corporation (NLHC) rent subsidy

Cottages #1 provides housing to low income senior citizens who pay 25-30% of their fixed income. If this amount falls short of the rent charged, NLHC provides a subsidy for the difference.

6. CMHC subsidy

Inter-Faith Home for Senior Citizens - Cottages #1 and #2 has received federal assistance through CMHC pursuant to Section 27 of the National Housing Act. The assistance, paid by NLHC, their agent, is intended to reduce operating expenses, enabling the Cottages to provide housing to low-income individuals. The amount of assistance received during the year was $74,103 (2010 - $80,003).

7. Related party transactions

i) The financial statements include accounts payable to the Western Regional Health Authority of $ 557,845 (2010 - $317,010).

ii) Administration fees of $17,280 (2010 - $19,214) were paid to the Western Regional Health Authority.

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Auditors' Confirmation
Newfoundland and Labrador Housing Corporation

I have audited the balance sheet of Inter-Faith Home for Senior Citizens – Cottages # 1 & 2 as at March 31, 2011 and the statements of revenue and expenses, cash flows and changes in net assets for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements.

In my opinion for Cottages # 1

The organization has requested and obtained evidence of the income of lessees in designated units as required by the Operating Agreement with Newfoundland and Labrador Housing Corporation.

The organization has applied a rent-to-income scale for the income-test occupants in accordance with the operating agreement.

The organization has adjusted the occupancy charges for income-tested occupants in accordance with the operating agreement.

This has been done for those tenants whose sources of income include sources other than Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), and for those households where the household composition has changed.

For tenants whose only source of income is from either Department of Human Resources and Employment or Human Resources Development Canada (Old Age Security and Canada Pension), their last lease renewal locked in their rent for a period of 3 years, unless a tenant receives income form another source during this period.

In my opinion for Cottages # 2

The organization has not applied the occupancy charge-to-income ratio. Rentals are based upon a flat rated charge depending if the unit is one or two bedrooms.

With reference to the Statement of Replacement Reserve Fund presented in the financial statements for the year ended March 31, 2011, the replacement reserve has not been fully funded and maintained, the operating reserve and surplus reserve has been fully funded and maintained. All interest accruing to these funds has been recorded.

Todd R. P. Lee
Chartered Accountant

Deer Lake, NL
June 21, 2011

WESTERN SCHOOL DISTRICT

FINANCIAL STATEMENTS/AUDITOR'S REPORT
June 30, 2010

Auditors' Report

To The Members of Western School District

We have audited the balance sheet of the current and capital funds of Western School District as at June 30, 2010, and the related statements of current revenues, expenditures and district equity, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As required by Section 66 (2) of the Schools Act, we report that the employees whose duties include collecting, receiving or depositing of money are bonded in amounts considered to be sufficient.

In our opinion, these financial statements present fairly, in all materials respects, the financial position of the District as at June 30, 2010 and the results of its operations and changes in its capital financial position for the year ended, in accordance with Canadian generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education

Chartered Accountants

Stephenville, NL
August/26/2010

Western School District

BALANCE SHEET

June 30, 2010

Assets

	2010	2009
Current Assets		
Cash (Supp.Info.1)	$ 4,284,998	$ 3,742,922
Short Term Investments (Supp.Info.2)	158,124	156,266
Accounts Receivable (Note 2)	13,284,818	13,559,853
Prepaid Expenses	240,290	221,146
Total Current Assets	17,968,230	17,680,187
Property and Equipment (schedule 8)	82,542,695	52,805,523
	$ 100,510,925	$ 70,485,710

Liabilities and District Equity

	2010	2009
Current Liabilities		
Bank Indebtedness (Note 3)	$ --	$ --
Accounts Payable and Accrued (Note 4)	4,552,423	4,696,227
Vacation Pay Accrued	13,758,875	12,740,804
Current Maturities (schedule 9b)	352,917	361,121
Total Current Liabilities	18,664,215	17,798,152
Severance Pay Accrual	22,642,287	21,375,834
Long-Term Debt (schedule 9)	1,326,616	1,679,534
District Equity		
Investment in Capital Assets	80,915,637	50,817,343
Reserve Account	200,987	200,987
District Equity	(23,238,817)	(21,386,140)
Total District Equity	57,877,807	29,632,190
	$ 100,510,925	$ 70,485,710

Contingencies (Note 8)

Approved: **Chairman**
Secretary

Western School District

STATEMENT OF CURRENT REVENUES, EXPENDITURES AND DISTRICT EQUITY

For the Year Ended June 30, 2010

		2010	2009
Current Revenue (Schedule 1)			
	Provincial Government Grants	$ 149,982,113	$ 147,203,847
	Donations	–	–
	Ancillary Services	110,689	106,115
	Miscellaneous	103,401	152,907
		150,196,203	147,462,869
Current Expenditures			
	Administration (Schedule 2)	9,043,857	7,024,872
	Instruction (Schedule 3)	124,654,150	121,551,676
	Operations and Maintenance (Schedule 4)	14,583,181	14,693,653
	Pupil Transportation (Schedule 5)	8,400,091	8,130,006
	Ancillary Services (Schedule 6)	45,646	41,260
	Interest Expense (Schedule 9C)	–	6
	Miscellaneous (Schedule 7)	58,258	74,519
		156,785,183	151,515,992
23 111	Excess of Revenue over Expenditures	(6,588,980)	(4,053,123)
	Transfer to/from Capital	4,736,303	3,404,616
	Net Increase/Decrease in District Equity	(1,852,677)	(648,507)
	District Equity, Beginning of Year	(21,386,140)	(20,737,633)
	District Equity, End of Year	$ (23,238,817)	$ (21,386,140)

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended June 30, 2010

			2010	2009
60		**Operating Activities**		
	011	Excess of Revenue over Expenditures	$ (6,588,980)	$ (4,053,123)
	012	Changes in Non-Cash Working Capital		
	013	- Short-Term Investments	(1,858)	(9,964)
	014	- Accounts Receivable	275,035	(734,439)
	015	- Prepaid Expenses	(19,144)	(2,438)
	014	- Accounts Payable, Accruals & Vacation Payable	874,267	1,611,325
	015	- Current Maturities	(8,204)	–
	016	Other (Specify)		
		- Principal Payments	361,122	361,121
		- Increase (Decrease) in Severance Pay Accrual	1,266,453	716,181
	017	Amortization of Capital Assets	4,478,988	3,402,354
			637,679	1,291,017
61		**Financing Activities**		
	011	Proceeds from Bank Loans	–	–
	012	Grants – Deficit Retirement	–	–
	013	Other Capital Revenues- Buses	–	–
	014	Changes in Long-Term Debt	(352,918)	(361,121)
	15	Other (Specify) - Capital Grant		
		- Service Vehicle	37,632	32,200
		- Capital Grant – Buildings	–	304,437
		- Donations – Playground Equipment	26,962	–
			(288,324)	(24,484)
62		**Investing Activities**		
	011	Proceeds on Sale of Capital Assets	257,315	79,401
	012	Additions to Property and Equipment	(64,594)	(413,776)
	013	Other (Specify)	–	–
			192,721	(334,375)
63		**Increase (Decrease) in Cash**	542,076	932,158
64		**Cash, Beginning of The Year**	3,742,922	2,810,764
65		**Cash, End of The Year**	$ 4,284,998	$ 3,742,922

See Accompanying Notes

Western School District

STATEMENT OF CHANGES IN CAPITAL FUND

For the Year Ended June 30, 2010

			2010	2009
70		**Capital Receipts**		
71		Proceeds from Bank Loans		
	011	- School Construction	$ –	$ –
	012	- Equipment	–	–
	013	- Service Vehicles	–	–
	014	- Pupil Transportation	–	–
	015	- Other (Specify)	–	–
			–	–
72		**EIC Grants**		
	011	School Construction and Equipment	–	–
	012	Other – Transportation – Government	–	–
			–	–
73		**Donations**		
	011	- Cash Receipts	–	–
	012	- Non-Cash Receipts	–	–
	013	- Playground Equipment	26,962	–
			26,962	–
74		**Sale of Capital Assets – Proceeds**		
	011	- Land	–	–
	012	- Buildings	257,315	79,401
	013	- Equipment	–	–
	014	- Service Vehicles	–	–
	015	- Pupil Transportation Vehicles	–	–
	016	- Other (Specify)	–	–
		- Accounts Receivable – Capital	–	–
			257,315	79,401
75		**Other Capital Revenues**		
	011	- Interest on Capital Fund Investments	–	–
	012	- Premiums on Debentures	–	–
	013	- Recoveries of Expenditures	–	–
	015	- Insurance Proceeds	–	–
	016	- Native Peoples Grants	–	–
	017	- Miscellaneous – Funds for Debt servicing – Bussing	361,122	361,121
	018	- Provincial grants – Buses	–	–
		– Service Vehicle	37,632	32,200
		– Buildings	–	304,437
			398,754	697,758
Total Capital Receipts			683,031	777,159

Cont'd

Cont'd

Western School District

STATEMENT OF CHANGES IN CAPITAL FUND (Cont'd)

For the Year Ended June 30, 2010

			2010	2009
77		Transfer from Reserve Account	–	–
78		Transfer to/from Current Fund	(4,736,303)	(3,404,616)
		Add: Amortization of Capital Assets – Non cash items	4,478,988	3,402,354
Total			$ 425,716	$ 774,897
80		**Capital Disbursements**		
81		**Additions to Property & Equipment**		
	011	- Land and Sites	–	–
	012	- Building	–	304,437
	013	- Furniture & Equipment – School	26,962	–
	014	- Furniture & Equipment – Other	–	–
	015	- Service Vehicles	37,632	109,339
	016	- Pupil Transportation	–	–
	017	- Other (Specify)	–	–
			64,594	413,776
82		**Principal Repayment of Long-Term Debt**		
	011	- School construction	–	–
	012	- Equipment	–	–
	013	- Service Vehicles	–	–
	014	- Other (Specify)	–	–
		- Office	–	–
		- Pupil transportation	361,122	361,121
			361,122	361,121
83		**Miscellaneous Disbursements**		
	013	- Other (Specify)	–	–
		- Accounts payable	–	–
			–	–
		Total Capital Disbursements	$ 425,716	$ 774,897

See Accompanying Notes

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Nature of Operation

The Western School District is responsible for maintenance and operation of all schools in the Western, Southern and Northern portion of the Province of Newfoundland and Labrador. It also includes schools in the Southern portion of Labrador.

1. Significant Accounting Policies

(a) Fund Accounting

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds. These financial statements include both the current and capital funds on a combined basis.

(b) Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education. The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

(c) Capital Assets

Capital assets are recorded at cost derived from the combining of the predecessor school boards. Amortization of capital assets is recorded by use of the straight-line method over the estimated useful life of the assets using the following rates:

Building	40 Years
Furniture and Equipment	10 Years
Service Vehicle	5 Years
Buses	12 Years

(d) Use of Accounting Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting periods. Actual results could differ from those estimates.

2. Accounts Receivable

		2010	2009
	Current		
11 131	Provincial Government	$ 12,404,954	$ 13,049,737
132	Transportation	28,085	–
133	Federal Government	–	–
134	Projects	170,765	185,537
135	HST Receivable	183,669	170,701
136	Bus Rentals	34,640	38,750
137	Water Program-Provincial	–	–
138	Interest	–	–
139	Travel Advances and Miscellaneous	164,225	115,128
	Capital		
11 231	Construction Grants	298,480	–
233	Local Contributions	–	–
234	Other School Districts	–	–
235	Other (Specify) – City of Corner Brook	–	–
		$ 13,284,818	$ 13,559,853

3. Bank Indebtedness

		2010	2009
21 131	On Operating Credit	$ –	$ –
132	On Capital Account	–	–
		$ –	$ –

4. Accounts Payable and Accrued

		2010	2009
	Current		
21 109	Scholarship	$ 115,312	$ 150,704
110	Accounts payable-Trade	1,088,644	1,436,320
111	Accrued Liabilities	620,895	324,318
112	Wages Payable	138,844	464,466
113	- Deferred Grants	2,500,123	2,237,731
114	- Wages	--	--
115	Payroll Deductions	88,605	82,688
118	Other	--	--
119	Payroll Tax	--	--
		$ 4,552,423	$ 4,696,227
	Capital		
21 211	Trade Payable	$ --	$ --
212	Accrued – Liabilities	--	--
213	- Interest	--	--
217	Deferred Grants	--	--
218	Other (Specify)	--	--
		$ --	$ --

Western School District
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

5. Reserve Account

Description:

	2010	2009
Balance, Beginning of Year	$ 200,987	$ 200,987
Less Transfer from Reserve	–	–
Add Transfer to Reserve	–	–
Balance, End of Year	$ 200,987	$ 200,987

Western School District

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2010

	2010	2009
6. Investment in Capital Assets, Beginning of Year	$ 50,817,343	$ 31,817,043
Add:		
Transfer To (From) Capital Fund	(4,736,303)	(3,404,616)
Grants - EIC - Contribution for Capital Const.	–	–
- Provincial grants-debt retirement.	–	–
Capital projects funded by Department of Education but paid directly to other sources on behalf of District.	34,766,954	21,747,817
Donations (Specify) – Playground Equipment	26,962	–
Proceeds from Sale of Capital Assets		
- Land	–	–
- Building	257,315	79,401
- Equipment	–	–
- Vehicle	–	–
- Other	–	–
Interest on Capital Fund Investments		
Recoveries of Expenditures – Prior	–	–
Provincial Grant – Busses	–	–
Provincial Capital Grant – Buildings	–	304,437
Provincial Capital Grant – Service Vehicle	37,632	32,200
Insurance Proceeds – Capital	–	–
Native Peoples Grants – Capital	–	–
Excess of Revenue over Expenditures - Capital Fund		
Principal - Bussing loan	361,122	361,121
- Other	–	–
Accumulated amortization on building sold	3,129,055	3,418,863
Capital asset valuation adjustment	–	–
	84,660,080	54,356,266
Deduct Adjustments:		
Cost of assets sold		
- Land	–	–
- Building	3,744,443	3,538,923
- Equipment	–	–
- Vehicles	–	–
- Other	–	–
	3,744,443	3,538,923
Other	–	–
23 221 Investment in Capital Assets, End of Year	$ 80,915,637	$ 50,817,343

7. Commitments

At balance sheet date the District had the following commitments:

8. Contingencies

As of statement date, the following material contingencies are pending:

(a) A former vendor of a predecessor School Board has a claim of approximately $30,000 plus HST. The amount has not been recorded in the accounts. The likelihood of loss to the District cannot be determined.

(b) The District has a potential liability for site restoration and remediation costs associated with a school property sold to a purchaser in 2004. The property had an oil leak from its underground storage tank prior to the sale of this property. As of audit report date, a claim has been filed in court but the likelihood of loss or an estimate of this loss cannot be determined.

(c) A former school teacher has filed a statement of claim in 2006 for wrongful dismissal. Discovery examination was conducted in September 2007, but no damages have been estimated. The likelihood of loss or an estimate of this loss cannot be determined.

9. District Equity (Deficit)

The School District has an accumulated operating deficit of $ 23,238,817. A material amount of this operating deficit is contributed by a recorded teacher's severance pay accrual, non-teacher's severance pay accrual and executive paid leave accrual of $ 20,330,490, $ 2,311,797 and $ 642,941 respectively, as required by the Provincial Government.

Accumulated operating deficit per Financial statement	$ 23,238,817
Less: teacher's severance pay accrual	(20,330,490)
: non-teacher's severance pay accrual	(2,311,797)
: executive paid leave accrual	(642,941)
Accumulated operating deficit less Severance pay and executive paid leave accrued	$ (46,411)

10. Bond Coverage

As at June 30, 2010, the Insurance Division of the Department of Finance has provided $ 300,000 fidelity bond coverage for all District employees.

11. Comparative Figures

Certain 2009 figures have been reclassified to conform to 2010 financial statement presentation.

Schedule 1

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2010

		2010	2009
32 010	**Provincial Government Grants**		
011	Regular	$ 22,609,845	$ 22,311,771
016	Special Grants (Details on bottom of Schedule 1)	2,787,290	3,248,667
	Salaries and Benefits		
017	- Directors and Asst. Directors	1,256,711	1,180,475
021	- Regular Teachers	108,494,295	106,306,703
022	- Substitute Teachers	4,064,476	3,473,527
023	- Student Assistants	2,401,687	2,318,985
030	Pupil Transportation		
031	- Board Owned	3,230,026	3,210,600
032	- Contracted	4,427,983	4,383,251
033	- Handicapped	709,800	769,868
		$ 149,982,113	$ 147,203,847
33 010	**Donations**		
012	Cash Receipts	–	–
011	Heritage Fair	–	–
013	Non-Cash Receipts	–	–
014	Restricted Use	–	–
		–	–

Western School District
CURRENT REVENUES
For the Year Ended June 30, 2010

		2010	2009
34 010	**Ancillary Services**		
011	Revenues from Rental of Residences	$ 15,215	$ 15,779
021	Revenues from Rental of Schools and Facilities (Net)	60,000	60,645
031	Cafeterias	35,474	29,691
032	Other – (Specify)	–	–
		110,689	106,115
35 010	**Miscellaneous**		
011	Interest on Investments	17,127	53,524
012	Bus Charters	41,964	63,173
021	Recoveries of Expenditures	22,388	30,887
031	Revenues from Other Agencies	–	–
041	Federal Rebates	–	–
051	Insurance Proceeds	6,117	1,567
061	Bilingual Education Revenue	–	–
071	Operating Rev. from Native Peoples Grant	–	–
081	Miscellaneous Federal Grants	–	–
091	Textbooks	–	–
092	Sundry	15,805	3,756
094	Scholarship Funds	–	–
		103,401	152,907
	Total Current Revenues	$ 150,196,203	$ 147,462,869
Special Grants			
	Fuel Adjustment	$ (50,634)	$ (45,561)
	Learning Disabilities	–	–
	Debt Servicing	–	–
	Student Assistant Salaries	–	–
	Textbook Credit Allocation	–	–
	Pay Equity	–	–
	Administration – Textbook	–	–
	Payroll Tax	–	–
	Utilities	–	–
	Maintenance	–	–
	French Monitor	20,302	43,305
	French Immersion	24,098	12,000
	Peer Tutoring	–	–
	Bottle Water	–	–
	Administrative Pay adjustment	–	–
	Computers	–	–

Western School District

CURRENT REVENUES

For the Year Ended June 30, 2010

	2010	2009
Special Grants (Cont'd)		
Surplus – Substitutes	$ –	$ –
Kinder – Start	–	–
Tutoring Work Experience	–	–
Other (Specify)		
-Miscellaneous grants	718,191	1,360,724
- Redundancy grant	–	–
- Maintenance reclassification	–	–
- Drama Festival	–	–
- Furniture	–	–
- Other Projects	1,527,137	1,379,915
- IGA Projects	72,999	90,994
- HRDC Grants	389,584	407,290
- School Board Elections	85,613	–
	$ 2,787,290	$ 3,248,667

Schedule 2

Western School District
ADMINISTRATION EXPENDITURES
For the Year Ended June 30, 2010

			2010	2009
51		**Salaries and Benefits**		
	011	- Directors and Asst. Directors	$ 1,899,652	$ 1,180,475
	012	- District Office Personnel	1,451,616	1,267,982
	013	Office Supplies	81,232	72,274
	014	Replacement Furniture and Equipment	32,552	25,834
	015	Postage	64,776	74,589
	016	Telephone	170,217	161,673
	017	Office Equipment Rentals and Repairs	67,781	62,919
	018	Bank Charges	2,817	2,890
	019	Electricity	15,993	36,047
	021	Fuel	30,611	37,908
	022	Insurance	15,566	16,465
	023	Repairs and Maintenance (Office Building)	30,716	25,565
	024	Travel	222,518	234,138
	025	Board Meeting Expenses	18,141	14,543
	026	Election Expenses	77,040	8,601
	027	Professional Fees	125,268	89,842
	028	Advertising	180,586	225,713
	029	Membership Dues	49,009	50,435
	031	Municipal Service Fees	13,163	17,157
	032	Rental of Office Space	–	–
	033	Janitor Salaries/Supplies	5,568	10,616
	034	Miscellaneous	10,047	6,852
	035	Relocation Expenses	–	–
	036	Redundancy	–	–
	037	Capital Plan-Department	–	–
	038	Amortization of Capital Assets	4,478,988	3,402,354
		Total Administration Expenditures	$ 9,043,857	$ 7,024,872

Schedule 3

Western School District

INSTRUCTION EXPENDITURES

For the Year Ended June 30, 2010

		2010	2009
52 010	**Instructional Salaries (Gross)**		
011	Teachers' Salaries – Regular	$ 109,744,365	$ 107,044,824
012	- Substitute	4,064,476	3,473,527
013	- District Paid	216,317	101,193
014	Student Assistants	2,401,687	2,326,523
015	Employee Benefits	–	–
016	School Secretaries – Secretaries & Benefits	2,758,743	2,588,394
017	Employee Benefits	–	–
018	Other – French Monitor	–	–
		119,185,588	115,534,461
52 040	**Instructional Materials**		
041	General Supplies	1,598,461	1,670,610
042	Library Resource Materials	–	–
043	Teaching Aids	213,830	184,197
044	Textbooks	–	–
		1,812,291	1,854,807
52 060	**Instructional Furniture and Equipment**		
061	Replacement	189,673	450,993
062	Rentals and Repair	887	3,503
063	Copier Cost	188,905	234,235
064	Replacement – Computer Equipment	353,854	598,553
065	Computer Repairs	51,705	65,539
		785,024	1,352,823
52 080	**Instructional Staff Travel**		
081	Program Co-ordinators	389,858	360,218
082	Teachers' Travel – within District	148,306	315,917
083	Teacher Travel – Out of District	253,214	236,076
084	Student Travel	28,160	34,184
		819,538	946,395
52 090	**Other Instructional Costs**		
091	Postage and Stationery	–	–
092	Miscellaneous	10,805	10,917
097	Other District Projects	1,568,700	1,318,669
098	IGA Projects	73,340	90,994
099	HRDC Projects	398,864	442,610
		2,051,709	1,863,190
	Total Instruction Expenditures	$ 124,654,150	$ 121,551,676

Schedule 4

Western School District

OPERATIONS AND MAINTENANCE EXPENDITURES - SCHOOLS

For the Year Ended June 30, 2010

		2010	2009
53 011	Salaries & Benefits - Janitorial	$ 5,065,888	$ 5,070,122
012	- Maintenance	1,648,991	1,550,446
013	- IT Support	792,230	689,735
014	Electricity	2,903,273	3,090,828
015	Fuel	916,018	1,024,580
016	Municipal Service Fee	503,456	280,689
017	Telephone	474,870	457,479
018	Vehicle Operating and Travel	282,587	265,071
019	Janitorial Supplies	320,848	362,568
021	Janitorial Equipment	5,487	27,193
022	Repairs and Maintenance - Buildings	1,203,585	1,234,079
023	- Equipment	14,370	23,087
024	Protective Clothing	16,327	13,731
025	Snow Clearing	435,251	604,045
026	Rentals	–	–
027	Other (Specify) - Repairs Covered By Insurance	–	–
	Total Operations and Maintenance	$ 14,583,181	$ 14,693,653

Schedule 5

Western School District
PUPIL TRANSPORTATION EXPENDITURE
For the Year Ended June 30, 2010

		2010	2009
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries - Administration	$ 212,445	$ 164,365
012	- Drivers and Mechanics	1,862,030	1,639,170
013	Payroll Tax and Benefits	–	–
014	Debt Repayment - Interest	42,317	79,822
015	- Principal	361,212	361,122
016	Bank Charges	–	–
017	Gas and Oil	349,222	358,510
018	Licenses	39,436	39,087
019	Insurance	38,100	41,350
021	Repairs and Maintenance - Fleet	204,254	209,241
022	- Building	2,009	17,365
023	Tires and Tubes	31,095	20,531
024	Heat and Light	23,943	28,021
025	Municipal Service	2,385	5,423
026	Snow Clearing	13,224	9,548
027	Office Supplies	7,865	5,149
028	Rent	–	–
029	Travel	3,015	3,043
030	Protective Clothing	–	–
031	Professional Fees	1,300	–
032	Miscellaneous	68,195	40,998
033	Telephone	29,198	25,544
034	Vehicle Leases	–	–
035	Cleaning – Bus Depot	–	–
		3,291,245	3,048,289
54 040	**Contracted Services**		
041	Regular Transportation	4,400,484	4,355,751
042	Handicapped	709,800	769,867
043	Miscellaneous	49,196	290
044	Fuel Adjustment Program	(50,634)	(44,191)
		5,108,846	5,081,717
	Pupil Transportation Expenditures	$ 8,400,091	$ 8,130,006

Schedule 6

Western School District

PUPIL TRANSPORTATION EXPENDITURE

For the Year Ended June 30, 2010

Ancillary Services

This District owns and operates the following ancillary services:

		2010	2009
55	**Ancillary Services**		
011	Operation of Teachers' Residences	$ 7,881	$ 12,437
031	Cafeterias	37,765	28,823
032	Other (Specify)	–	–
		$ 45,646	$ 41,260

Schedule 7

Miscellaneous Expenses (Specify)

The District has incurred the following miscellaneous expenses:

	2010	2009
57 011 Miscellaneous Expenses		
- Human Resources Expenses	$ 58,247	$ 68,159
- Other	11	6,360
	$ 58,258	$ 74,519

Schedule 8

Western School District
Details of Property and Equipment
For The Year Ended June 30, 2010

		Cost 30-Jun-09	Additions	Adjustment and Disposals	Cost 30-Jun-10	Accumulated Amortization 30-Jun-09	Amortization	Adjustment	Accumulated Amortization 30-Jun-10	Net Book Value
12211	Land and Sites	$ 1,977,719	--	--	$ 1,977,719	--	--	--	--	$ 1,977,719
	Buildings									
12221	Schools	$ 152,712,399	$ 34,766,955	$ (3,356,031)	$184,123,323	$ 104,971,824	$ 4,019,229	$ (2,983,400)	$106,007,653	$78,115,670
12222	Administration	2,534,279	--	(388,412)	2,145,867	2,017,795	31,394	(145,655)	1,903,534	242,333
12223	Residential	168,021	--	--	168,021	155,419	2,101	--	157,520	10,501
		$ 155,414,699	$ 34,766,955	$ (3,744,443)	$186,437,211	$ 107,145,038	$ 4,052,724	$ (3,129,055)	$108,068,707	$78,368,504
	Furniture and Equipment									
12231	Schools	$ 11,528,316	$ 26,962	--	$ 11,555,278	$ 11,528,316	--	--	$ 11,528,316	$ 26,962
12232	Administration	970,429	--	--	970,429	970,429	--	--	970,429	--
12233	Residential	1,534	--	--	1,534	1,534	--	--	1,534	--
12234	Recreation	87,005	--	--	87,005	87,005	--	--	87,005	--
12235	Other	5,450	--	--	5,450	5,450	--	--	5,450	--
		$ 12,592,734	$ 26,962	--	$ 12,819,696	$ 12,592,734	--	--	$ 12,592,734	$ 26,962
12241	Service Vehicles	$ 379,179	$ 37,632	--	$ 416,811	$ 225,361	$ 44,832	--	$ 270,193	$ 146,618
	Public Transportation									
12253	Buses	$ 4,833,755	--	--	$ 4,833,755	$ 2,429,430	$ 381,433	--	$ 2,810,863	$ 2,022,892
	Total	$ 175,198,088	$ 34,831,549	$ (3,744,443)	$206,285,192	$ 122,392,563	$ 4,478,989	$ (3,129,055)	$123,742,497	$82,542,695

Schedule 9

Western School District

DETAILS OF LONG-TERM DEBT

For the Year Ended June 30, 2010

Bank loans, mortgage and debentures,
approved by the District and the Government
of Newfoundland and Labrador

		2010	2009
22 210	Loans Other than Pupil Transportation		
Ref. #			
211	**Bank Loans**		
_____	Repayable $_____ monthly, maturing _____	$ –	$ –
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
	Total 211	–	–
212	**Mortgages**		
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
	Total 212	–	–
213	**Debentures**		
_____	Repayable $_____ monthly, maturing _____	–	–
_____	Repayable $_____ monthly, maturing _____	–	–
	Total 213	–	–
214	Other (Please Specify)	–	–
	Subtotal	–	–
215	Less Current Maturities	–	–
	Total Loans Other Than Pupil Transportation	$ –	$ –

Western School District
DETAILS OF LONG-TERM DEBT
For the Year Ended June 30, 2010

22 220 Loans – Pupil Transportation

	Ref. #	2010	2009
221	**Vehicle Bank Loans**		
	Prime Repayable $ 516 monthly, maturing 2011	$ 6,194	$ 12,388
	Prime Repayable $ 523 monthly, maturing 2011	7,320	13,594
	Prime Repayable $ 521 monthly, maturing 2011	12,506	18,759
	Prime Repayable $ 523 monthly, maturing 2012	18,305	24,583
	Prime Repayable $ 542 monthly, maturing 2017	40,107	46,611
	Prime Repayable $ 548 monthly, maturing 2014	26,283	32,854
	Prime Repayable $ 960 monthly, maturing 2011	3,316	14,836
	Prime Repayable $ 2,456 monthly, maturing 2012	44,208	73,680
	Prime Repayable $ 4,954 monthly, maturing 2012	118,891	178,338
	Prime Repayable $ 3,662 monthly, maturing 2013	131,818	175,757
	Prime Repayable $ 1,095 monthly, maturing 2015	53,663	66,805
	Prime Repayable $ 1,117 monthly, maturing 2016	71,502	84,908
	Prime Repayable $ 1,675 monthly, maturing 2016	107,170	127,264
	Prime Repayable $ 542 monthly, maturing 2017	40,649	47,153
	Prime Repayable $ 4,530 monthly, maturing 2018	398,638	452,998
	Prime Repayable $ 5,930 monthly, maturing 2019	598,963	670,127
	Total 221	$ 1,679,533	$2,040,655
222	**Land, Building and Equipment Bank Loans**		
	_____ Repayable $ _____ monthly, maturing ____	–	–
	_____ Repayable $ _____ monthly, maturing ____	–	–
	_____ Repayable $ _____ monthly, maturing ____	–	–
	_____ Repayable $ _____ monthly, maturing ____	–	–
	_____ Repayable $ _____ monthly, maturing ____	–	–
	_____	–	–
	Total 222	1,679,533	2,040,655
	Subtotal	1,679,533	2,040,655
223	Less Current Maturities	352,917	361,121
	Total Loans – Pupil Transportation	1,326,616	1,679,534
	Total Long Term Debt	$ 1,326,616	$1,679,534

Schedule 9A

Western School District

SUMMARY OF LONG-TERM DEBT

For the Year Ended June 30, 2010

Description	Ref. #	Rate	Balance Beginning Of Year	Loans Obtained During Year	Principal Repayment For Year	Balance End of Year
A) School Construction			$ –	$ –	$ –	$ –
B) Equipment			–	–	–	–
C) Service Vehicle		Prime	–	–	–	–
D) Other – Office			–	–	–	–
E) Pupil Transportation		Prime	2,040,655	–	361,122	1,679,533
Total Loans			$ 2,040,655	$ –	$ 361,122	$ 1,679,533

Western School District
DETAILS OF CURRENT MATURITIES
For the Year Ended June 30, 2010

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ –	$ –	$ –	$ –	$ –
B) Equipment	–	–	–	–	–
C) Service Vehicles	–	–	–	–	–
D) Other – Office	–	–	–	–	–
E) Pupil Transportation	352,917	323,442	241,437	191,745	173,128
Total	$ 352,917	$ 323,442	$ 241,437	$ 191,745	$ 173,128

Western School District

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SCHEDULE OF INTEREST EXPENSE

For the Year Ended June 30, 2010

	Description	2010	2009
012	**Capital**		
	School Construction	$ –	$ –
	Equipment	–	–
	Service Vehicles	–	–
	Other – Office	–	–
	Total Capital	–	–
013	**Current** - Operating Loans	–	–
014	- Supplier Interest Charges	–	6
	Total Current	–	6
	Total Interest Expense	$ –	$ 6

Western School District
SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

1. Cash

			2010	2009
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 585	$ 585
	112	Bank - Current	4,284,413	3,742,337
	113	- Savings	–	–
	115	- Non-Teachers; Payroll	–	–
	116	- Coupon (Debenture)	–	–
	117	- Other (Specify)	–	–
		Capital		
11	210	Cash on Hand and in Bank	–	–
	211	Cash on Hand	–	–
	212	Bank - Current	–	–
	213	- Savings	–	–
	214	- Other (Specify)	–	–
		Total Cash on Hand & in Bank	$ 4,284,998	$ 3,742,922

2. Short Term Investments

			2010	2009
11	121	Term Deposits – Scholarships	$ 115,312	$ 150,704
	122	Term Deposits – Other	42,812	5,562
	123	Other (Specify)	–	–
		Capital		
11	221	Term Deposits	–	–
	222	Canada Savings Bonds	–	–
	223	Other (Specify)	–	–
		Total Short Term Investments	$ 158,124	$ 156,266

Western School District

SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2010

3. Prepaid Expenses

		2010	2009
	Current		
11 141	Insurance	$ –	$ –
142	Municipal Service Fees	–	–
143	Work, Health Safety and Commissions	238,290	208,016
144	Other (Specify) – Travel Advances	2,000	2,000
	– Supplies	–	7,800
	– Legal Fees	–	3,330
	Capital		
11 241	Other (Specify)	–	–
		$ 240,290	$ 221,146

WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION
DECEMBER 31, 2010

Management responsibility for financial reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management who are responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this Annual Performance Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains a system of accounting and reporting which provides for the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors oversees management responsibility for financial reporting through its Financial Services Committee. The Financial Services Committee oversees the external audit of the Commission's annual financial statements and the accounting and financial reporting and disclosure processes and policies of the Commission. The Financial Services Committee meets with management, the independent actuary, the independent auditors and the internal auditor to discuss the results of the audit, the adequacy of internal accounting controls and the quality and integrity of financial reporting. The Commission's annual financial statements are reviewed by the Financial Services Committee with each of management and the external auditors before being recommended to the Board of Directors for approval.

The firm of Morneau Shepell has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on an annual basis and to report thereon in accordance with generally accepted actuarial principles.

Ernst & Young, LLP, the external auditors of the Commission, have performed an independent audit of the 2010 financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Independent Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Paul Kavanagh

Leslie Galway
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

Actuarial Statement of Opinion

I have completed the actuarial valuation of the benefit liabilities of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador (the "Commission") as at December 31, 2010 (the "valuation date"). Details of the data, actuarial assumptions, valuation methods and results are included in the actuarial valuation report as at the valuation date, of which this statement of opinion forms part. In my opinion:

1. The estimate of the actuarial liabilities for assessed employers as at the valuation date is $839,301,182. This includes provisions for benefits and future administration expenses expected to be paid after the valuation date for claims that occurred on or before the valuation date. Self-insured employers, and future claims arising from long latency occupational diseases are not included in this valuation.

2. The valuation is based on the provisions of the Workplace Health, Safety and Compensation Act of Newfoundland and Labrador and on the Commission's policies and practices in effect on the valuation date.

3. The data on which the valuation is based were supplied by the Commission in accordance with specifications provided by us. We applied such checks of reasonableness of the data as we considered appropriate, and have concluded that the data are sufficient and reliable to permit a realistic valuation of the liabilities of the Commission.

4. The actuarial assumptions adopted in computing the liabilities are adequate and appropriate, and the methods used are in accordance with accepted actuarial practice for workers compensation organizations in Canada. The economic assumptions are consistent with the long-term financial strategy and long-term investment policies of the Commission. The discount rates used are disclosed in note 12 to the financial statements.

Conrad Ferguson, F.S.A., F.C.I.A.
Partner, Morneau Shepell Ltd.

March 23, 2011
Date

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Workplace Health, Safety and Compensation Commission

We have audited the accompanying financial statements of **Workplace Health, Safety and Compensation Commission**, which comprise the statement of financial position as at December 31, 2010, and the statements of operations, changes in fund deficiency, comprehensive income, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Workplace Health, Safety and Compensation Commission** as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December, 2009 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 19, 2010.

Ernst & Young LLP

St. John's, Canada,
April 7, 2011.

Chartered Accountants

STATEMENT OF FINANCIAL POSITION as at December 31

(thousands of dollars)	**2010**	2009
Assets		
Cash and cash equivalents	**$ 7,885**	$ 101
Accounts receivable [Note 5]	**10,432**	13,865
Investments [Note 6]	**768,105**	710,007
Property, plant and equipment [Note 8]	**3,372**	3,925
Intangible assets [Note 9]	**14,370**	12,165
	$ 804,164	$ 740,063
Liabilities		
Accounts payable and accrued liabilities [note 11]	**$ 15,681**	$ 12,007
Employee future benefits [note 21]	**3,134**	2,636
Benefit liabilities [note 12]	**839,301**	831,299
Total liabilities	**858,116**	845,942
Fund Deficiency	**(53,952)**	(105,879)
	$ 804,164	$ 740,063

Commitments [Note 22]

Contingencies [Note 23]

On behalf of the Commission

Ralph Tucker
Chairperson

Darren Roberts
Director

See accompanying notes.

STATEMENT OF OPERATIONS Year ended December 31

(thousands of dollars)	2010	2009
Revenue		
Net assessments revenue	**$ 166,259**	$ 159,511
Investment income [note 7]	**35,199**	15,845
Third-party recoveries [note 3]	**1,080**	4,372
	202,538	179,728
Expenses		
Claims costs incurred [note 12]		
Short-term disability	**29,883**	28,282
Long-term disability	**65,496**	67,551
Survivor benefits	**5,843**	11,333
Health care	**42,614**	44,041
Rehabilitation	**1,288**	1,361
Future administration costs	**3,875**	3,765
	148,999	156,333
Administration [note 15]	**29,977**	27,340
Legislated obligations [note 16]	**6,879**	6,588
Amortization [notes 2 and 3]	**2,296**	2,555
Other expenses [note 17]	**1,028**	1,787
	189,179	194,603
Surplus (deficit) from operations	**13,359**	(14,875)
Actuarial adjustments [note 12]	**12,458**	6,725
Surplus (deficit) for the year	**$ 25,817**	$ (8,150)

See accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME Year ended December 31

(thousands of dollars)	**2010**	2009
Surplus (deficit) for the year	**$ 25,817**	$ (8,150)
Other comprehensive income		
Unrealized gain on available-for-sale investments	**30,821**	75,049
Realized (gains) loss on available-for-sale investments included in deficit from operations	**(7,482)**	11,689
Recognized impairment other than temporary [note 7]	**2,946**	3,474
	26,285	90,212
Comprehensive income	**$ 52,102**	$ 82,062

See accompanying notes.

STATEMENT OF CHANGES IN FUND DEFICIENCY Year ended December 31

(thousands of dollars)	**2010**	2009
Accumulated operating deficit [note 14]		
Balance, beginning of year	**$ (104,652)**	$ (96,502)
Operating surplus (deficit)	**25,817**	(8,150)
	(78,835)	(104,652)
Accumulated other comprehensive income (loss)		
Balance, beginning of year	**(2,042)**	(92,254)
Other comprehensive income	**26,285**	90,212
	24,243	(2,042)
Reserves		
Occupational Health and Safety Research [note 13]	**640**	815
Fund deficiency, end of year	**$ (53,952)**	$ (105,879)

See accompanying notes.

STATEMENT OF CASH FLOWS Year ended December 31

(thousands of dollars)	**2010**	2009
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 165,797**	$ 161,316
Investment income	**17,347**	20,534
Third parties	**4,976**	-
	188,120	181,850
Cash paid to:		
Claimants or third parties on their behalf	**(128,539)**	(126,307)
Suppliers and employees, for administrative and other goods and services	**(33,911)**	(39,954)
Third party, from reserve fund	**(175)**	(24)
	(162,625)	(166,285)
Net cash provided from operating activities	**25,495**	15,565
Cash flows from investing activities		
Purchase of investments	**(13,759)**	(12,149)
Purchase of capital and intangible assets	**(3,952)**	(3,439)
Net cash used for investing activities	**(17,711)**	(15,588)
Net change in cash and cash equivalents	**7,784**	(23)
Cash and cash equivalents		
Beginning of year	**101**	124
End of year	**$ 7,885**	$ 101

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Workplace Health, Safety and Compensation Commission [the Commission] was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act* (the Act), as amended. The Commission is responsible for, in accordance with the provisions of the Act, preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; facilitating the claims management process and administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act (Canada)*. An independent Workplace Health, Safety and Compensation Review Division is established under the Act to make rulings on any appeals pertaining to the Commission's assessment or benefit decisions. The Commission does not receive government funding or other assistance.

The Commission administers the Act for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's Injury Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

The funds, investments and income of the Commission are free from taxation pursuant to Section 10(2) of the Act.

2. CHANGES IN ACCOUNTING POLICIES

Financial Instruments

Effective January 1, 2010, the Commission also adopted the changes made by the CICA to *Handbook Section 3862, Financial instruments – Disclosures,* whereby an entity shall classify and disclose fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

Level 1	Valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities.
Level 2	Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices].
Level 3	Valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

Financial instruments included in level 1 of the fair value hierarchy consist of cash and cash equivalents and non-pooled equities. All other financial instruments are included in level 2, with the exception of asset-backed commercial paper which is included in level 3.

New accounting Policies

Intangible Assets

Effective January 1, 2009, the Commission adopted the Canadian Institute of Chartered Accountants [CICA] to Section 3064 Intangible Assets, *Handbook Section 3064*, which requires that expenditures related to the design and development of new information systems be classified as intangible assets. Previously, expenditures for new information systems were recorded as property, plant and equipment. In addition, research and training expenditures are not included under information systems development but are expensed in administration costs. The unamortized training and research costs totaling $421,000 were charged to other costs in 2009.

In conjunction with the adoption of the new standard, the Commission also reconsidered the estimated useful lives of systems development initiatives and changed the amortization period of these assets from five to ten years. The effect of the change in estimated useful lives is a reduction of future annual amortization charges by approximately $945,000.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Commission's significant accounting policies are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash, bank overdrafts and short-term investments in money market instruments which will be liquidated in the near term and are recorded at fair value.

Assessments revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls at which point revenue is recognized. The assessment levy is payable by installments within the current year. At year-end, assessment revenue is adjusted based on a review of the employers' actual payrolls, as well for the estimate of practice refunds which are payable to the employers under the PRIME program.

Third-party recoveries

In certain circumstances, under Section 45 of the *Workplace Health, Safety and Compensation Act*, the Commission is deemed to be an assignee of a cause of action in respect of a claimant disability. The amount by which settlements exceed the cost of the action, including administration and future benefit entitlement, is paid to the worker or dependents. Amounts received from third-party recoveries are recorded in the year during which the settlement occurs. No provision is made in the benefit liability for possible future third-party recoveries due to their contingent nature.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Assessments receivable

Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is recorded based on historical assessment information.

Investments

Investments are designated as available-for-sale and are recorded at fair value. The Commission applies trade date accounting for investments. Gains and losses realized on the disposal of investments are recorded in operating surplus during the year. Unrealized gains and losses are recorded in other comprehensive income until realized. Interest and dividend income are recognized in the period earned.

The Commission assesses at each statement of financial position date whether there is objective evidence an impairment in value that is other than temporary. If any such evidence exists, the carrying amount of the investment is reduced to the extent that it is impaired and the amount of the loss is recognized in the statement of operations.

Property, plant and equipment

Property, plant and equipment are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives, as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Equipment under capital lease	3 to 5 years

Intangible assets

Intangible assets, which include information systems development, are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives of ten years. The information systems development is reviewed for impairment annually. The Commission has identified the following indicators of impairment: discontinued use of the system, using the system for fewer functions / processes than originally intended, and unexpected changes in the duration of its life.

Benefit liabilities

The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include a provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims and for future costs of administering claims. No provision has been made for future claims related to latent occupational disease, because these cannot be reasonably estimated.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

Reserves

In accordance with Section 20.5 (1) of the Act, the Commission maintains a special reserve fund for the purpose of health and safety research. The Act permits the Commission to allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of the Act, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

Use of Accounting Estimates

Benefit liabilities

An actuarial valuation of the benefit liabilities is prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate.

The Commission believes that the amount provided for benefit liabilities as at December 31, 2010, is adequate, recognizing that actuarial assumptions as disclosed in note 12 may change over time to reflect underlying economic trends. Such changes could possibly cause a material change in the actuarial present value of the future payments.

Assessments revenue

Accounts receivable at year-end include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgment, with regards to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

Financial instruments

The Commission's financial instruments consist of cash and cash equivalents, accounts receivable, investments and accounts payable and accrued liabilities. The carrying value of financial instruments, with the exception of investments, approximate fair value due to their immediate or short-term maturity and normal credit terms. The fair value of investments is based on quoted market prices.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The following is a summary of the accounting model the Commission has elected to apply to each of its significant categories of financial instruments.

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	Available-for-sale	Fair value
Derivatives	Held-for-trading	Fair value
Accounts payables and accruals	Other liabilities	Amortized cost

Derivatives are financial contracts whose price is dependent on the price of one or more underlying securities. The notional principal amounts, upon which payments are based, are not recognized in these financial statements.

The fair value of the Commission's derivative positions is determined by the following methods:

1) Interest rate swaps, forward foreign exchange contracts and currency swaps are valued based on discounted cash flows using current market yields and exchange rates.

2) Future contracts are valued based on quoted market prices.

Annual leave and post-employment benefits

Annual leave is accounted for on an accrual basis in the period during which employees render service.

Employees participate in the Province of Newfoundland and Labrador's Public Service Pension Plan [PSPP], a multiemployer defined benefit plan. The employer's contributions are expensed as incurred.

The Commission provides a severance payment upon retirement. The expected cost of providing this employee future benefit is accounted for on an accrual basis and has been actuarially determined using the projected benefit method prorated on service, and management's best estimate of salary escalation, and retirement ages of employees. Actuarial gains and losses are recognized immediately.

4. CAPITAL MANAGEMENT

The objective of the Commission's long-term financial strategy is to maintain a funded position that will provide for the security of benefits promised to injured workers within employers' reasonable ability to pay assessments. The strategy provides guidance to the Commission in responding to external influences, such as volatile investment markets and general economic factors, in a controlled and responsible manner.

4. CAPITAL MANAGEMENT (CONT'D)

The Commission's funded position is defined by the relationship of total assets to total liabilities and the Injury Fund is fully funded when the total assets equal or exceed total liabilities. However, due to the potential volatility of investment market returns, the Board of Directors has established a funding target of total assets equal to 110% of total liabilities. The Funding Policy specifies a funding target operating range from 100% to 120%. If the funded status moves outside the targeted range, the Commission will adjust assessment rates paid by employers over a fifteen-year period to achieve the funding target. The Commission's assessment rates for 2009 and 2010 include an upward adjustment of $0.25 per $100 of payroll. This adjustment will be retained until the 110% funding target is reached.

At funding levels above 140% the Commission will consider one-time expenditures. One-time expenditures include, but are not limited to, benefit improvements, assessment rebates and funding for prevention programs. The introduction of benefit improvements is subject to the approval of the Government of the Province of Newfoundland and Labrador. In order to ensure the long-term sustainability of the workers' compensation system, the Commission will take into account the current and all future costs associated with any one-time expenditures.

The following table outlines the components of the Commission's net funding strategy deficiency. The fund deficiency represents the amount by which the Commission's total liabilities exceeded its total assets at December 31. The required 10 per cent stabilization fund represents the additional assets required to meet the Commission's 110% long-term funding target. The stabilization fund is calculated as 10% of the total liabilities at December 31. The impact of assessment rate adjustments is calculated using the current surcharge of $0.25 per $100 of payroll. The surcharge would have to be maintained until 2021 to recover the current funding strategy deficiency.

Funding statement

(thousands of dollars)	**2010**	2009
Fund deficiency	**$ 53,952**	$ 105,879
Required 10% stabilization fund	**85,812**	84,594
Funding strategy deficiency	**139,764**	190,473
Less: impact of assessment rate adjustments	**139,764**	190,473
Net funding strategy deficiency	**$ -**	$ -

The Fund balance consists of accumulated net operating deficits, accumulated other comprehensive income, and the occupational health, safety and research reserve. Accumulated other comprehensive income represents the unrealized holding gains and losses from changes in the fair values of the Injury Fund assets. The Commission maintains one reserve within the Injury Fund: the Occupational Health and Safety Research Reserve.

5. ACCOUNTS RECEIVABLE

(thousands of dollars)	2010	2009
Assessments	$ 7,309	$ 8,298
Less: Allowance for doubtful accounts	3,709	4,092
	3,600	4,206
Accrued assessments	4,565	4,300
Third-party recoveries	-	3,932
Other	2,267	1,427
	$ 10,432	$ 13,865

6. FINANCIAL INSTRUMENTS

Fair value

(thousands of dollars)	2010		2009	
	Fair value	Cost	Fair value	Cost
Fixed term	$ 251,387	$ 253,229	$ 237,931	$ 237,409
Equities	516,718	493,116	472,076	474,630
	$ 768,105	$ 746,345	$ 710,007	$ 712,039

Fair Value Hierarchy

	Fair Value	
(thousands of dollars)	2010	2009
Level 1		
Equity – CAD non-pooled	$ 288,549	$ 260,389
Cash and cash equivalents	17,757	6,392
	306,306	266,781
Level 2		
Equity CAD (pooled funds)	107,708	108,422
Equity USD (pooled funds)	102,704	96,873
Fixed Income securities – CAD	249,172	236,055
Fixed Income Securities – USD	-	38
	459,583	441,388
Level 3		
ABCP	2,215	1,838
Total fair value investment	$ 768,105	$ 710,007

6. FINANCIAL INSTRUMENTS (CONT'D)

Included in fixed-term investments is the Commission's investment in third-party sponsored asset-backed commercial paper ["ABCP"]. As part of the ABCP restructuring plan completed on January 21, 2009, the Commission's interest in the ABCP was replaced with a number of long term floating rate notes ["the Notes"].

The Commission has undertaken a fair value estimation as of December 31, 2010 using a methodology consistent with that of the previous year. Due to the lack of an active market, the methodology employed a discounted cash flow model which considered the specific characteristics of the Notes.

Based on this exercise, the Commission estimated that as at December 31, 2010 the range of fair values varied between $2,133,000 and $2,329,000. The Commission's estimate of fair value is $2,216,000. There can be no assurance that this estimate will be realized. Subsequent adjustments, which could be material, may be required in future reporting periods. The table below summarizes the Commission's valuation as at December 31.

(thousands of dollars)	Par value	Fair Value 2010	 2009	Expected Maturity date
MAV 2 Notes				
A1 [rated A]	$2,500	**$2,013**	$1,833	01/07/2017
C	78	**1**	1	01/07/2017
Class 13 - tracking notes	393	**202**	4	03/20/2014
Total investment	$2,971	**$2,216**	$1,838	

At December 31, 2010 the fair value of the Commission's derivative portfolio was $193,695 (notional value of $102,516,000). Derivative instruments held at December 31, 2009 had a fair value of $10,000 [notional value of $6,580,000].

Risk management

The Commission manages its investment portfolio in accordance with its long-term investment policy. The investment risk inherent in an investment portfolio is managed through diversification in both asset classes and investments within each asset class. The Commission also engages a number of different fund managers with a broad range of investment philosophies and styles.

The Board of Directors is ultimately responsible for the governance and strategic direction of the Commission's investments through its review and approval of the long-term investment policy and ensuring adherence to the policy. Management is responsible for monitoring performance, regular reporting to the Board, and recommending changes in the investment policy or fund managers. The Board and Management use the services of an external consultant to benchmark the performance of fund managers and to provide advice on investment policies and practices.

The following sections describe the key financial risk exposures and management strategies to mitigate these risks.

6. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. At December 31, 2010 at least 90% [2009, 83.8%] of the fixed income assets in the portfolio have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short-term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short-term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

Currency risk

Currency risk is the risk that the value of financial assets and liabilities denominated in foreign currencies will fluctuate due to changes in their respective exchange rates compared to the Canadian dollar. Forward foreign exchange and future contracts are used to hedge the currency risk of certain foreign denominated fixed-term investments. Hedge accounting has not been applied to hedging arrangements. The Commission does not undertake hedging strategies for the currency risk of foreign equity investments. Currency fluctuations are not expected to affect the long-term position of the investment portfolio.

As at December 31, 2010, the Commission's holdings in foreign equities and pooled equity funds had a market value of $203.3 million [2009; $198.9 million] representing 26.5% [2009 - 28.0%] of the market value of the total investment portfolio.

The table below presents the negative effect of a 10% appreciation in the value of the Canadian/U.S. dollar and the Canadian dollar/Euro on the value of the equity portfolio.

(thousands of dollars)	**2010**		2009	
	CAD/USD	**CAD/EURO**	CAD/USD	CAD/EURO
10% appreciation in the Canadian dollar	**$(10,787)**	**$(1,591)**	$(9,293)	$(3,241)

Interest rate risk

Interest rate risk is the risk that the value of a financial security will fluctuate due to changes in market interest rates. The Commission is exposed to interest rate risk through investment in fixed income securities. Interest rate risk is managed through diversification of fixed income securities through sector allocation and security duration.

6. FINANCIAL INSTRUMENTS (CONT'D)

The table below presents the negative effects of a 50 basis point (bps) and 100 bps adverse changes in interest rates on the fixed income portfolio:

(thousands of dollars)	**2010**		2009	
Change in nominal interest rates	**+50bps**	**+100bps**	+50bps	+100bps
Nominal bonds	**$ (7,887)**	**$ (15,776)**	$ (7,087)	$ (13,879)

The table below represents the remaining term to maturity of the Commission's fixed-term investments:

(thousands of dollars)	Remaining Term to Maturity				
Fair value	Within 1 year	Within 1 to 5 years	Over 5 years	Total 2010	Total 2009
Fixed term Investments	**$ 41,932**	**$ 28,317**	**$ 181,138**	**$251,387**	$ 237,931

Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission manages liquidity risk by monitoring its cash flows and by ensuring that it has sufficient cash and credit facilities available to meet its obligations and liabilities.

Market risk

Market risk is the risk that the fair value of marketable securities or long-term investments will change as a result of changes in the market price. Market prices of securities are subject to change as a result of perceived or real underlying changes in the economic condition of the issuer, the relative price of alternative investments, and general market conditions.

The Commission manages market risk through adherence to an investment policy that prescribes an asset mix that provides for the diversification of risk across a broad group of securities that meet the long-term return objectives of the investments portfolio.

The table below presents the effect of a material change[1] in the key risk variable, the sector benchmark, for each of the equity mandates in the Commission's equity portfolio.

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[1] Material risk is measured by analyzing the effect of the change in the benchmark return rate. The change is measured through the use of standard deviation. Standard deviation measures the normal variance in a probability distribution. One standard deviation [std dev] covers 68% of all probable outcomes; two standard deviations cover 95% of all probable outcomes.

6. FINANCIAL INSTRUMENTS (CONT'D)

(thousands of dollars)	2010		2009	
Equities	1 std dev	2 std dev	1 std dev	2 std dev
% Change in market benchmark	(16.7%)	(33.5%)	(16.7%)	(33.4%)
Canadian equity	$ (44,123)	$ (77,181)	$ (38,951)	$ (68,140)
% Change in market benchmark	(12.9%)	(25.8%)	(12.6%)	(25.2%)
U.S. equity	$ (11,732)	$ (21,059)	$ (10,829)	$ (19,480)
% Change in market benchmark	(15.2%)	(30.5%)	(14.4%)	(28.7%)
Foreign equity	$ (13,298)	$ (23,491)	$ (12,819)	$ (22,775)

7. INVESTMENT INCOME

Investment income is comprised of the following:

(thousands of dollars)	2010	2009
Interest and dividends	$ 20,333	$ 22,723
Realized investment gain (loss)	16,898	(5,449)
Recognized impairment other than temporary	(2,946)	(3,474)
Unrealized gain (loss) on derivatives	183	(522)
Reversal of other than temporary impairment on sale	3,253	4,756
	37,721	18,034
Less: Portfolio management expenses	2,522	2,189
Total investment income	$ 35,199	$ 15,845

8. PROPERTY, PLANT AND EQUIPMENT

(thousands of dollars)	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11	$ -	$ 11	$ 11
Building	8,320	5,951	2,369	2,710
Furniture and equipment	2,715	2,424	291	339
Computer equipment	6,252	5,551	701	865
Equipment under capital lease	201	201	-	-
	$ 17,499	$ 14,127	$3,372	$ 3,925

9. INTANGIBLE ASSETS

(thousands of dollars)		2010		2009
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Systems development	**$ 19,185**	**$ 4,815**	**$14,370**	$ 12,165

Included in systems development costs for 2010 is in the amount of $4,961,000 [2009 - 2,656,000] related to business improvement projects.

10. BANK INDEBTEDNESS

The Commission has established an operating line of credit with its banker in the amount of $20,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.4%. The credit facility is unsecured and was utilized during 2010 to the amount of $18,000,000; of which no amount was outstanding at December 31, 2010 and 2009.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(thousands of dollars)	**2010**	2009
Accounts payable	**$ 10,676**	$ 8,376
Annual leave and amounts due to employees	**773**	757
Credit balances due to employers	**4,232**	2,874
	$ 15,681	$ 12,007

In 2010, accounts payable include a provision in the amount of $5,356,000 [2009 - $2,100,000] for amounts owing to employers under the Commission's practice incentive program.

12. BENEFIT LIABILITIES AND CLAIMS COSTS

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on an annual basis. An analysis of the components of, and changes in, benefit liabilities is as follows:

(thousands of dollars)	2010							2009
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilitation	Future admin. cost	**Total**	Total
Balance, Beginning of year	$47,115	$483,190	$54,145	$189,662	$2,803	$54,384	$831,299	$ 807,998
Add:								
Claims costs incurred:								
Current-year injuries	26,302	29,215	1,657	27,916	1,069	-	86,159	95,286
Prior years' injuries	3,581	36,281	4,186	14,698	219	3,875	62,840	61,047
	29,883	65,496	5,843	42,614	1,288	3,875	148,999	156,333
Deduct:								
Claims payments:								
Current-year injuries	9,608	300	221	7,101	3	-	17,233	17,900
Prior years' injuries	20,443	52,509	7,754	29,846	754	-	111,306	108,407
	30,051	52,809	7,975	36,947	757	-	128,539	126,307
Balance before actuarial adjustments	46,947	495,877	52,013	195,329	3,334	58,259	851,759	838,024
Actuarial adjustments	893	(15,932)	1,368	4,684	(119)	(3,352)	(12,458)	(6,725)
Balance, end of year	$47,840	$479,945	$53,381	$200,013	$3,215	$54,907	$839,301	$831,299

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. These assumptions may vary over time, and it is possible that changes in assumptions could have a material impact on the actuarial present value of future benefit liabilities.

12. BENEFIT LIABILITIES AND CLAIMS COSTS (CONT'D)

The table below lists the principal economic assumptions used.

	2010		2009	
	CPI-Indexed awards	**Other payments**	CPI-Indexed awards	Other payments
Gross rate of return	**7.12%**	**7.12%**	7.12%	7.12%
Inflation year 1	**0.70%**	**3.50%**	1.70%	3.50%
Inflation later years	**3.50%**	**3.50%**	3.50%	3.50%
Net rate of return year 1	**6.38%**	**3.50%**	5.33%	3.50%
Net rate of return later years	**3.50%**	**3.50%**	3.50%	3.50%

13. RESERVES

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2010, an amount of $175,000 was charged to the reserve [2009 - $24,000].

14. CHANGE IN ACCUMULATED OPERATING DEFICIT

(thousands of dollars)	**2010**	2009
Accumulated operating deficit, beginning of year	**$ (104,652)**	$ (96,502)
Favourable revenue variance	**33,700**	23,300
Interest on accumulated operating deficit	**(7,500)**	(6,900)
Investment income variance	**(12,900)**	(31,300)
Actuarial adjustment	**12,458**	6,725
Other	**59**	25
Accumulated operating deficit, end of year	**$ (78,835)**	$ (104,652)

15. ADMINISTRATION EXPENSES

(thousands of dollars)	2010	2009
Salaries and employee benefits	**$ 25,252**	$ 22,976
Office and communications	**2,299**	2,037
Professional fees	**998**	1,024
Building operations	**890**	887
Travel and vehicle operating	**538**	416
	$ 29,977	$ 27,340

16. LEGISLATED OBLIGATIONS

The Commission is required by legislation to fund a portion of the operating costs of the Occupational, Health and Safety Branch of the Department of Government Services in delivering their occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division and the Statutory Review. The Commission also reimburses the provincial government for a portion of the operating costs of the Department of Human Resources, Labour and Employment and the Labour Relations Agency in respect of administering the Act. The Commission is required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

(thousands of dollars)	2010	2009
Government Departments and Labour Relations Agency	**$ 5,355**	$ 5,053
Workplace Health, Safety and Compensation Review Division	**791**	822
Employer and Worker Advisors	**733**	713
	$ 6,879	$ 6,588

17. OTHER EXPENSES

(thousands of dollars)	2010	2009
Sectoral advisors and grants	**$ 224**	$ 48
Business improvement projects	**804**	1,739
	$ 1,028	$ 1,787

18. RELATED PARTY TRANSACTIONS

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and Crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

19. INDUSTRY LEVY

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totaled $694,300 in 2010 [2009 - $561,200] and are not included in the statement of operations.

20. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the statement of operations are as follows:

(thousands of dollars)	**2010**	2009
Assessments revenue	**$ 9,626**	$ 9,488
Claims costs incurred:		
Short-term disability	**1,130**	922
Long-term disability	**3,595**	3,690
Survivor benefits	**580**	563
Health care	**2,609**	2,468
Administration charges	**1,712**	1,845
	$ 9,626	$ 9,488

21. EMPLOYEE FUTURE BENEFITS

Pension plan

The Commission's contributions of $1,582,000 [2009 - $1,610,500] have been expensed as incurred.

21. EMPLOYEE FUTURE BENEFITS (CONT'D)

Severance payments

The Commission provides a severance payment to employees upon retirement, resignation or termination without cause. In 2010, cash payments to retirees for its unfunded employee future benefits amounted to $209,558 [2009 - $18,715]. The first actuarial valuation was performed effective December 31, 2009, and an extrapolation of that valuation has been performed to December 31, 2010.

(thousands of dollars	**2010**	2009
Accrued benefit obligation, beginning of year	**$ 2,636**	
Benefit expense		
Current service cost	**214**	
Interest cost	**165**	
Actuarial loss	**329**	
	708	
Benefits paid	**(210)**	
Accrued benefit obligation, end of year	**$ 3,134**	$ 2,636

The significant actuarial assumptions used in measuring the accrued benefit obligation and benefit expense are as follows:

	2010	2009
Discount rate – benefit cost	**6.0%**	-
Discount rate – accrued benefit obligation	**5.0%**	6.0%
Rate of compensation increase	**3.5%**	3.5%

22. COMMITMENTS

The Commission has committed to operating lease payments for office premises and equipment for the years 2011 to 2013 in the amount of $230,000 annually.

23. CONTINGENCIES

The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

24. COMPARATIVE FIGURES

Certain of the comparative information has been reclassified to conform with tlhe presentation adopted in the current year.

FIVE-YEAR HISTORY
DECEMBER 31, 2010

STATEMENT OF OPERATIONS AND FUND DEFICIENCY for the Years Ending December 31

(thousands of dollars)	2010	2009	2008	2007	2006
Revenue					
Assessments	**$ 166,259**	$ 159,511	$ 151,782	$ 137,713	$ 124,763
Investment income	**35,199**	15,845	13,763	79,918	60,104
Third-party recoveries	**1,080**	4,372	-	-	-
	202,538	179,728	165,545	217,631	184,867
Expenses					
Claims costs incurred	**148,999**	156,333	146,935	138,304	137,021
Administration	**29,977**	27,340	26,897	23,828	22,356
Legislated obligations	**6,879**	6,588	6,424	6,145	6,347
Amortization	**2,296**	2,555	2,859	2,017	1,882
Other	**1,028**	1,787	915	686	633
	189,179	194,603	184,030	170,980	168,239
Surplus (deficit) from operations before the following	**13,359**	(14,875)	(18,485)	46,651	16,628
Actuarial adjustments	**12,458**	6,725	6,450	265	(8,771)
Surplus (deficit) for the year	**25,817**	(8,150)	(12,035)	46,916	7,857
Fund deficiency, beginning of year	**(105,879)**	(187,917)	(29,387)	(8,332)	(53,625)
Other comprehensive income (loss)	**26,285**	90,212	(146,445)	(67,947)	37,436
Appropriation to reserve fund	**(175)**	(24)	(50)	(24)	-
Fund deficiency end of year	**$ (53,952)**	$ (105,879)	$ (187,917)	$ (29,387)	$ (8,332)